PSE Number: E-5000
SEC Number: 152-747
File Number: ________

AYALA LAND, INC.

(Company's Full Name)

31F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

December 31, 2017

(Year Ending)

Annual Report - SEC Form 17-A

(Form Type)

(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2017**

2. SEC Identification Number **152747**

3. BIR Identification No. **000-153-790-000**

4. Exact name of the issuer as specified in its charter: **AYALA LAND, INC.**

5. Province, Country or other jurisdiction of incorporation or organization:
   Makati City, Philippines

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of principal office and postal code: **31F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226**

8. Issuer's telephone number, including area code: **(632) 750-6974**

9. Former name, former address, former fiscal year: **not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

    As of January 31, 2017

Title of each class	Number of shares issued and outstanding
Common shares	**14,724,947,558**
Preferred shares	**13,066,494,759**

Amount of debt outstanding: **P87,990,950,000.00** (Registered)

11. Are any or all of these securities listed on a Stock Exchange?
    Yes [x] No [ ]

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common shares**

    14,552,590,493 common shares have been listed with the Philippine Stock Exchange.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and sections 26 and 141 of the Corporation Code of the Philippines during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days:

Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates:

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ] **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

<u>2017 Audited Consolidated Financial Statements</u> (incorporated as reference for Items 5, 7, 10 & 12 of SEC Form 17-A)

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PART I - BUSINESS

Item 1. Business

Background

Ayala Land, Inc. ("Ayala Land" or the "Company") was formerly the real estate division of Ayala Corporation and was incorporated on June 30, 1988 to focus on the development of its existing real estate assets. In July 1991, the Company became publicly-listed through an initial public offering ("IPO") of its primary and secondary shares on the Makati and Manila Stock Exchanges (predecessors of the PSE). Ayala Corporation's effective ownership in Ayala Land amounted to 88% as a result of the IPO.

Over the years, several developments further reduced Ayala Corporation's effective interest in Ayala Land; the exercise of stock options by respective employees of Ayala Corporation and Ayala Land, the disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993. Furthermore, the conversion of a ₱3.0 billion convertible long term commercial paper to Ayala Land Common B Shares publicly issued in December 1994, exchanges under bonds due in 2001, and equity top-up placements conducted through an overnight book-built offering in July 2012, March 2013 and January 2015.

As of December 31, 2017, Ayala Corporation's effective ownership in Ayala Land is 47.08% with the remaining interest owned by the public. Ayala Land is listed with a total of 14,724,947,558 outstanding common shares and 13,066,494,759 voting preferred shares. Foreign equity ownership in Ayala Land is 22.41% composed of 5,620,637,622 outstanding common shares and 607,203,775 voting preferred shares. Equity attributable to equity holders of Ayala Land amounted to ₱166.75 billion.

As of December 31, 2017, Ayala Land has a total market capitalization of ₱656.7 billion based on the closing price of ₱44.60 per common share on December 29, 2017, the last trading day of the said month.

Ayala Land is the largest and most diversified real estate conglomerate in the Philippines engaged in the planning and development of large scale, integrated estates having a mix of use for the sale of residential lots and buildings, office buildings and commercial and industrial lots, leasing of commercial and office spaces and the development, operation and management of hotels and resorts. The Company also develops commercial and industrial parks and is also engaged in property management, construction and other businesses like retail and healthcare.

Products / Business Lines

To carry on its business in an organized and efficient manner, Ayala Land structured its operations into key strategic business lines such as Property Development, Commercial Leasing, Hotels and Resorts and Services.

Property Development

Property Development includes Strategic Land Bank Management, Visayas-Mindanao Group and the Residential Business Group.

Strategic Land Bank Management handles the acquisition, development and sale of large scale, mixed-use, master-planned communities, the sale of Ayala Land's share in properties made available to subsidiaries for development and the lease of gas station sites and carparks outside Ayala Center in Makati City. Visayas-Mindanao Group handles the development, sale and lease of the Company and its subsidiaries' product offerings in key cities in the Visayas and Mindanao regions.

The Residential Business Group handles the sale of high-end residential lots and units (including leisure community developments), office spaces, commercial and industrial lots, middle-income residential lots and units, affordable lot units and house and lot packages, economic housing units and house and lot packages, and socialized housing packages, and the lease of residential units and marketing of residential developments. The products developed and sold are further classified into the following brands: AyalaLand Premier ("ALP") for high-end village lots and condominium units, Alveo Land Corp. ("Alveo") for upscale village lots, condominium and office units, Avida Land Corp. ("Avida") for middle-income village lots, house and lot packages and condominium and office units, Amaia Land Corp. ("Amaia") for economic house and lot packages, and BellaVita Land Corp. ("BellaVita") for the socialized house and lot packages.

Commercial Leasing

Commercial Leasing includes the development and lease of Shopping Center and Office spaces and Hotels and Resorts operations. Shopping Centers include the development of shopping centers and lease to third parties of retail space and land, the operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers and the management and operations of malls which are co-owned with partners.

Office Leasing includes the development and lease of office buildings.

Hotels and Resorts include the development, operation and management of branded and owner-operated hotels, operation and management of eco-resorts.

Services

Services include Property Management and Construction.

Construction of Ayala Land and third-party projects and land development is done through Makati Development Corporation ("MDC").

Property Management which involves facilities management of Ayala Land and third-party projects, operation of water and sewage treatment facilities in some Ayala Land projects, distribution of district cooling systems and the bulk purchase and supply of electricity for energy solutions are done through Ayala Property Management Corporation ("APMC").

In addition to above business lines, Ayala Land also derives other income from its investment activities and sale of non-core assets.

Products / Business Lines (with 10% or more contribution to 2017 consolidated revenues before intercompany adjustments):

Property Development	50%
(Sale of residential lots and units, office spaces and commercial and industrial lots)	
Commercial Leasing	15%
(Shopping Centers, Office Leasing and Hotels and Resorts Operations)	
Services	35%
(Construction and Property Management)	

<u>Distribution Methods of Products</u>

The Company's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land has its own in-house sales team for ALP projects. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 15,000 brokers and sales agents guided by a strict Code of Ethics. Separate sales groups have also been formed for Alveo, Avida, Amaia and BellaVita. Ayala Land and its subsidiaries also tap external brokers to complement these sales groups.

Marketing to the Overseas Filipino ("OF") market is handled by Ayala Land International Sales, Inc. ("ALISI"). Created in March 2005, ALISI leads the marketing, sales and channel development activities and marketing initiatives of the brands abroad through project websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. ALISI has marketing offices in North America (Milpitas and San Francisco), Hong Kong, Singapore, Dubai, Rome, and London. ALISI likewise assumed operations of AyalaLand Int'l. Marketing in Italy and London, in 2014.

In addition, the Ayala Group also developed "One Ayala," a program which bundles the products and services of Ayala Land, BPI, and Globe Telecom, Inc. and gives access to potential Ayala Land clients overseas through BPI's 17 overseas offices and 81 tie-ups. An Ayala Land-BPI Dream Deals program was also created to generate additional sales from the local market.

Since 2008, all residential sales support transactions are undertaken by the shared services company Amicassa Process Solutions, Inc. ("APSI") while all transactional accounting processes across the Ayala Land Group are handled by Aprisa Business Solutions, Inc. ("APRISA") since 2010.

<u>Development of the business of the registrant and its key operating subsidiaries/associates and joint ventures during the past three years</u>

Ayala Land, Inc. - parent company (incorporated in 1988), is a diversified property developer in the Philippines with a track record in developing large-scale, integrated, mixed-use and sustainable estates. With 10,285 hectares of land bank, Ayala Land is present in 55 growth centers across the country, offering a balanced and complementary mix of residential spaces, shopping centers, offices, hotels and resorts, and other businesses. Following the success of the Makati Central Business District (Makati CBD), Ayala Alabang, Cebu Park District, Bonifacio Global City (BGC) and Nuvali, Ayala Land continues to develop estates in key growth centers around the country including Vermosa in Cavite, Alviera in Pampanga, Altaraza in Bulacan, Atria in Iloilo, Capitol Central in Bacolod and Abreeza in Davao, among others. It recently launched three new estates which are, Evo City in Cavite, Azuela Cove in Davao, and Seagrove in Cebu. As of end December 31, 2017, Ayala Land had a total of 24 estates.

<u>Property Development</u>

Ayala Land Premier continues to lead in the luxury segment with the launch of its high-value residential lots and condominiums. Projects launched in the past three years include residential lots namely Riomonte and Cerilo in Nuvali, Laguna, The Courtyards in Vermosa, Cavite and Anvaya Sea Breeze Veranda in Bataan, and residential condominiums such as East and West Gallery Place at Bonifacio Global City, Park Central North and South Tower in Makati, and Arbor Lanes in Arca South.

Alveo Land Corp., 100% owned subsidiary, offers various residential lots, and residential and office for sale tower products in the middle-income segment. Projects launched in the past three years include The Residences in Evo City, Cavite, Aveia Phase 3 in Sta. Rosa, Laguna, Montala and Mondia in Alviera, Pampanga, Brownstone Townhouses and Travertine Tower in Portico, Pasig City, Cerca Viento Tower 1 in Las Pinas and The Stiles Enterprise Plaza East Tower and The Gentry Corporate Plaza in Makati.

Avida Land Corp., a 100% owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots, and residential and office for sale tower products to affordable income segment. Projects launched in the past three years include Avida Settings in Tuguegarao, Avida Settings Northdale in Alviera, Pampanga, Avida towers Riala 4 in Cebu, Avida Towers Serin East 2 in Tagaytay, Avida Towers Turf 2 in BGC and Avida Towers Vireo in Arca South, Taguig.

Amaia Land Corp., wholly owned subsidiary of Ayala Land, was established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment. Projects launched in the past three years include Amaia Steps Capitol Central Tower 2 in Bacolod, Amaia Steps Nuvali Parkway Aria B in Laguna, Amaia Steps Alabang Delicia in Muntinlupa City, Amaia Steps Nuvali Parkway Bianca B and Amaia Scapes Iloilo, among others.

BellaVita Land Corp. a wholly owned subsidiary of Ayala Land, aims to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011. Projects launched in the past three years include San Miguel, Iloilo, Lian, Batangas and Porac, Pampanga among others.

Serendra, Inc., 28%-owned by ALI and 39%-owned by Alveo, is engaged in residential developments. In 2004, it launched Serendra, a residential complex at the BGC in Taguig.

Solinea (formerly Bigfoot Palms, Inc.), a landholding entity, was acquired on March 05, 2011 through Alveo Land Corporation through acquisition of 65% shares of stock. The remaining 35% was acquired by Cebu Holdings, Inc., a subsidiary of the Group.

Portico Land Corp., a subsidiary of Alveo was incorporated on October 2, 2013. Portico is 60% owned by Alveo and 40% by Mitsubishi Corporation. The subsidiary was organized to develop and operate a mixed-use development located near Ortigas center.

Roxas Land Corp., 50% owned, sold-out One Roxas Triangle in 2007.The project was started in 1996 and was completed in September 2001. Two Roxas Triangle was launched in November 2014 and is fully sold-out.

Ayala Greenfield Development Corporation ("AGDC"), 50-50% owned by Ayala Land and Greenfield Development Corporation, started developing Ayala Greenfield Estates, a high-end residential leisure subdivision located in Calamba, Laguna in 1999. Over the past twelve years, AGDC continued to develop and sell lots of this high-end residential subdivision.

BG West Properties, Inc., BG South Properties, Inc. and BG North Properties, Inc. were incorporated to engage in the development of high-end, middle-end and affordable residential and office for sale projects, respectively, in Bonifacio Global City. Projects launched in the past three years include The Suite, Park Triangle Residences and Corporate Plaza, One and Two Meridian and East and West Gallery.

Avencosouth was incorporated in the Philippines and is currently engaged in condominium development operations. Ayala Land holds 90% indirect interest in Avencosouth as of December 31, 2012, from the 70% ownership by Avida (a wholly owned subsidiary of Ayala Land), and from the 30% ownership of Accendo (which is 67% owned by Ayala Land). Avencosouth was registered with the SEC on April 26, 2012 and started commercial operations on August 11, 2012. Avida Towers Davao Project is under Avencosouth.

Verde Golf Development Corporation, a wholly owned subsidiary of the Company, was registered on August 8, 2013 primarily to develop, maintain, operate, manage and carry on the business, operation and management of the Southlinks golf facilities for the amusement, entertainment, recreation, leisure and athletic activities of the general public.

Ayala Land International Marketing, Inc., a wholly owned subsidiary of ALISI, was incorporated on February 28, 2012 to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

Ayala Land International (Singapore) Pte. Ltd was incorporated by ALISI on April 7, 2013 with the same objectives as ALIM.

Ayala Land International Marketing (Hong Kong) Ltd. was incorporated by ALISI when it further expanded by acquiring First Folio Limited in Hong Kong on November 20, 2013.

Ayala Land International Marketing, SRL was organized when ALISI bought ownership interests in Italy and Ayala Land International Marketing, Inc. in London from Avida Sales Corporation on April 9, 2014 and December 10, 2014, respectively. ALISI continues to widen the range of exposure of all ALI residential brands by its marketing partners.

Amaia Southern Properties, Inc. was organized and incorporated on February 12, 2013 by Amaia together with Cebu Holdings Inc. (CHI), primarily to purchase and develop new real estate properties for planned projects in the south. ASPI is 65%-owned by Amaia and 35% by CHI.

Southportal Properties, Inc. was incorporated on December 1, 2014. It is 65% owned by the Company and the remaining 35% is held by CHI. The primary purpose of the Group is to develop, sell and manage the operations for 1016 Residences, an Ayala Land Premier project in Cebu.

Southgateway Development Corporation, a wholly owned subsidiary of Ayala Land, was incorporated on October 19, 2012 primarily to develop of Cloverleaf estate located in Balintawak in Quezon City.

AyalaLand Premier, Inc. is a wholly owned subsidiary of Ayala Land, Inc. and was registered on July 7, 2017 to engage primarily in general contracting services.

Strategic Land Bank Management

Aurora Properties, Inc incorporated in December 3, 1992, *Vesta Property Holdings, Inc.* incorporated in October 22, 1993 and *Ceci Realty, Inc.* incorporated in August, 22 1974, are owned by Ayala Land 80%, 70% and 60%, respectively. These companies are in joint venture with the Yulo Family, for the development of nearly 1,700 hectares of land in Canlubang, Laguna.

Emerging City Holdings, Inc. and Berkshires Holdings, Inc., both 50% owned, served as Ayala Land's corporate vehicles in the acquisition of a controlling stake in Bonifacio Land Corp. / Fort Bonifacio Development Corp. ("FBDC") through Columbus Holdings, Inc. in 2003. FBDC continues to sell commercial lots and condominium units and leases-out retail and office spaces in Bonifacio Global City.

Regent Time International Limited, 100% owned by Ayala Land, also owns a stake at Bonifacio Land Corp. / Fort Bonifacio Development Corp.

Nuevo Centro, Inc. and Prow Holdings, Inc., 55% owned by Ayala Land, was established primarily to develop Alviera, a 1,100-hectare estate in Porac, Pampanga. Some of its projects include residential lots such as Avida Settings Alviera and Alveo's Montala as well as recreational facilities like the Alviera Country Club.

ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between Ayala Land, Inc. LT Group, Inc. The ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

Next Urban Alliance Development Corp. is a wholly owned subsidiary of ALI and was incorporated on May 4, 2015. Its purpose is to develop, invest, own or acquire commercial, and residential lands.

LEASING

Shopping Centers

*North Beacon Commercial Corporatio*n, formerly Alabang Theatres Management Corporation, is Ayala Land's wholly owned vehicle for its MarQuee Mall in Pampanga, which commenced development in March 2007 and began operations in September 2009.

Station Square East Commercial Corporation, a 69% owned subsidiary of Ayala Land, broke ground in 2002 for Market! Market!, a 150,000-square meter mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 and Phase 1B in 2005.

Accendo Commercial Corp., with a 67% stake, ALI entered into a joint venture agreement with Anflo Group to develop a mixed-use project in Davao City.

ALI-CII Development Corporation, a 50-50% joint venture with Concepcion Industries, continued to operate Metro Point, a mid-market mall at the corner of EDSA and Taft Avenue, which was completed in the fourth quarter of 2001.

Alabang Commercial Corporation, 50% owned by Ayala Land, continued to manage and operate the Alabang Town Center.

ALI Commercial Center, Inc. is a wholly owned subsidiary and was incorporated on October 10, 2014. ALI Commercial Center, Inc. manages the operations of Glorietta and Greenbelt malls in Ayala Center, Makati.

North Triangle Depot Commercial Corporation, 73% owned by Ayala Land, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 191,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

Subic Bay Town Centre, Inc., 100% owned by Ayala Land, was incorporated on March 9, 2010 for the planning, development management of a mall to be located in Subic Bay Freeport Zone.

Ayala Theaters Management, Inc., 100% owned, continued to manage and operate theaters at the Ayala Center in Makati.

Five Star Cinema, Inc., also wholly owned, continued to manage and operate theaters at the Alabang Town Center.

Leisure and Allied Industries Phils. Inc., a 50-50% joint venture of Ayala Land with Australian company, LAI Asia Pte. Ltd., continued to operate family entertainment centers called Time Zone in various Ayala malls, as well as other malls.

Cagayan De Oro Gateway Corp. was established to pursue a mixed-use development with a 47,000 sqm regional mall as its center piece. A 150-room boutique hotel shall be located on top of the mall, while a single tower residential condominium with 21 floors and 522 rooms shall be located right beside the mall. The project is strategically located in the economic hub of Cagayan de Oro City.

Arvo Commercial Corporation(ACC), a wholly owned subsidiary of the Ayala Land, was established primarily to develop and operate shopping malls within the ALI identified growth areas across the country.

Soltea Commercial Corp., a joint venture between the Company (60%), Ceci Realty, Inc. (20%) and Aurora Properties, Inc. (20%), was incorporated on June 13, 2013. Currently, its main purpose is the development of Solenad 3 project in Sta. Rosa, Laguna.

North Ventures Commercial Corporation, 100% wholly owned subsidiary to handle the development of Fairview Terraces.

Ayala Land Commercial REIT, Inc., a wholly owned subsidiary of Ayala Land was formed in September as a vehicle through which Ayala Land will own and operate select investment properties and which Ayala Land intends to undertake an IPO under Republic Act No. 9856 or the Philippines Real Estate Investment Trust ("REIT") Law. Said investment properties shall include prime shopping center and office assets currently owned by the Company which are mature, have recurring income streams and have achieved stable occupancy rates.

Ayala Land Metro North Inc. was incorporated in November 29, 2012 and is a wholly owned subsidiary of the Company. It is established primarily to develop and operate shopping malls and offices.

Ayala Land Malls, Inc., a wholly owned subsidiary of the Company, was incorporated this year as a shared-service entity to provide manpower services to the Ayala Malls Group.

Ayala Land Malls North East, Inc. was registered on October 15, 2015. The Company is a wholly owned subsidiary of ALMI with primary purpose of conducting general contracting services and other support service, including performance of technical support services to North East Manila malls.

Ayala Land Malls VisMin, Inc. was registered on October 15, 2015. The Company is a wholly owned subsidiary of ALMI with primary purpose of conducting general contracting services and other support service, including performance of technical support services to VisMin malls.

Ayala Land Malls Synergies, Inc. is a wholly owned subsidiary of the Company and was incorporated on June 1, 2016. AMSI houses the Commercial Business Group's allied businesses such as but not limited to the partnership with Meralco, LED, operation of upcoming mall's foodcourt.

Arca South Commercial Ventures Corp. is a wholly owned subsidiary of Ayala Land, Inc. and was incorporated on November 16, 2017 for the development of Ayala Malls Arca South.

Bay City Commercial Ventures Corp. was incorporated on November 3, 2017. BCCVC is a wholly owned subsidiary of Ayala Land, Inc. and was organized primarily for the development of Ayala Malls Bay City.

Capitol Central Commercial Ventures Corp. is a wholly owned subsidiary of Ayala Land, Inc. and was incorporated on December 4, 2017 for the development of Ayala Malls Capitol Cenral.

Corporate Business

Laguna Technopark, Inc., 75% owned, continued to sell industrial lots to local and foreign company locators.It also leases ready-built factory units within the Laguna Technopark.

Asian I-Office Properties, Inc, the Company was invited by CPVDC, an ALI subsidiary, to be a partner in the Asian i-Office Properties, Inc. ("AiO") for a 60% stake in 2008. It manages and operates two BPO buildings located in the Asiatown IT Park in Cebu (eBloc and Peak Building A). In 2013, Ayala Land sold its 60% interest in Asian I-Office Properties, Inc. to Cebu Property Ventures and Development Corporation.

Sunnyfield E-Office Corporation, Asterion Technopod, Inc., Crestview E-Office Corporation, Summerhill E-Office Corporation and Hillsford Property Corp., are wholly owned entities established to handle, develop and manage all future BPO buildings located at various growth centers within the Philippines.

Ayala Land Offices, Inc. (ALO), is the Company's 100%-owned vehicle owns and operates various BPO projects and buildings which include UP Technohub BPO Offices.

ALO Prime Realty Corporation (APRC) is the Company's 100%-owned vehicle which owns and operates Aegis People Support building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease.

Altaraza Prime Realty Corporation, a wholly owned subsidiary of the Company, was incorporated on March 9, 2016 to develop Altaraza IT Park, Bulacan.

Makati Cornerstone Leasing Corp. is a wholly owned subsidiary of Ayala Land, Inc. and was registered with SEC on June 5, 2017. MCLC was organized to develop the Circuit BPO1 and Circuit BPO2.

Hotels and Resorts

Ayala Hotels, Inc., 50% owned, currently manages hotel land lease operations and Ayala Land Premier's Park Central Towers.

Ayala Land Hotels and Resorts Corporation (AHRC), a wholly owned subsidiary of Ayala Land, serves as a holding company for the Group's hotels and resorts operations.

Ten Knots Philippines, Inc. (TKPI) and Ten Knots Development Corporation (The Ten Knots Group), is 60% owned by Ayala Land in partnership with Asian Conservation Company Inc. In 2013, the Hotels and Resorts Group signed an agreement with Asian Conservation Company, to acquire 40% stake in El Nido Resorts.

Greenhaven Property Venture, Inc., 100% owned by Ayala Land through AHRC was established to plan, develop and manage Holiday Inn and Suites Glorietta.

North Liberty Resort Ventures, Inc. is a wholly owned subsidiary of TKPI. The Company was incorporated on October 27, 2015 and was primarily organized to own, use, improve, develop, subdivide, sell, lease & hold for investment or otherwise real estate of all kinds.

Lio Resort Ventures, Inc. is a wholly owned subsidiary of TKPI. The Company was incorporated on October 27, 2015 and was primarily organized to own, use, improve, develop, subdivide, sell, lease & hold for investment or otherwise real estate of all kinds.

Paragua Eco-Resort Ventures, Inc. is a wholly owned subsidiary of TKPI. The Company was incorporated on October 27, 2015 and was primarily organized to own, use, improve, develop, subdivide, sell, lease & hold for investment or otherwise real estate of all kinds.

Pangulasian Island Resort Corporation is a wholly owned subsidiary of TKPI. The Company was incorporated on September 18, 2015 and was primarily organized to plan, develop, construct, own and operate sports, vacation, recreation and resort facilities and other related business activities.

Regent Horizons Conservation Company Inc. and Subsidiary. On November 19, 2013, AHRC, a wholly owned subsidiary of the Company entered into an agreement to acquire 100% interest in ACCI, which effectively consolidates the remaining 40% interest in TKDC and TKPI (60%-owned subsidiary of the Company prior to this acquisition). This acquisition is in line with the Company's thrust to support the country's flourishing tourism industry.

Sentera Hotel Ventures, Inc. was registered on June 19, 2014. It is a wholly owned subsidiary of AHRC with purpose of managing the hotel operation of SEDA Iloilo.

Econorth Resorts Ventures, Inc. is a wholly owned subsidiary of AHRC with the primary purpose of engaging in real estate and hospitality activities in Seda Lio, Palawan. It was registered on October 8, 2014.

ALI Triangle Hotel Ventures, Inc. was registered on March 4, 2014. It is a wholly owned subsidiary of AHRC with the primary purpose of managing the activities of the new Mandarin Hotel which has recently broke ground and will be completed by 2020.

Circuit Makati Hotel Ventures, Inc. was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC, with primary purpose of developing and managing the hotel operations in Circuit Makati.

Capitol Central Hotel Ventures, Inc. was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC, with the purpose of developing and managing the hotel activities of SEDA Bacolod.

Arca South Hotel Ventures, Inc. was registered on October 17, 2014. It is a wholly owned subsidiary of AHRC, with main purpose of developing and managing the hotel operations of Arca South project in Taguig.

Sicogon Island Tourism Estate Corp. is a wholly owned subsidiary of ALI Capital Corp. which was incorporated with the SEC on July 8, 2015. The company was organized to engage in land and real estate business development in Sicogon Island, Iloilo.

Sicogon Town Hotel, Inc., a wholly owned subsidiary of *Ayala Land Hotels and Resorts Corporation* registered on September 29, 2015, with primary purpose of engaging in the general business in hotel in Sicogon Island, Iloilo.

Bay Area Hotel Ventures, Inc. was incorporated on September 6, 2017, is a wholly owned subsidiary or AHRC and organized primarily for the development of Seda Bay Area.

Makati North Hotel Ventures, Inc. is a wholly owned subsidiary of AHRC. MNHVI was organized on October 10, 2017 for the development of Seda City Gate.

One Makati Hotel Venutres, Inc. is a wholly owned subsidiary of AHRC and was incorporated on September 28, 2017. OMHVI was organized primarily for the development of Seda One Ayala.

Lio Tourism Estate Management Corp. is a wholly owned subsidiary of Ten Knots Phils., Inc. (TKPI) and was incorporated on October 10, 2016.

Visayas-Mindanao

Cebu Holdings, Inc., 72% owned by Ayala Land, continued to manage and operate the Ayala Center Cebu and sell residential condominium units and lots within the Cebu Business Park. The company's projects include the Alcoves, Park Point Residences and 1016 Residences among others.

Adauge Commercial Corporation, a 60% owned subsidiary of Ayala Land, was incorporated on September 5, 2012 for the development of Atria Mall and Avida Towers Iloilo among others.

Aviana Development Corporation, incorporated on September 17, 2013, is a 50-50 joint venture company between the Ayala Land (10%-owned by Accendo) and the Alcantara Group. It will develop the approximately 27-hectare waterfront property in Lanang, Davao City.

Lagdigan Land Corp. (Lagdigan) is a 60:40 joint venture between Ayala Land and Ayala Corporation. It was incorporated on March 17, 2014 and its main purpose is to develop Laguindingan's 500-hectare property owned by Ayala Corporation. The vision is to develop it into a mixed-use area that will be the primary growth area in Misamis Oriental.

Taft Punta Engaño Property Inc. (TPEPI) was incorporated on September 8, 2011, a wholly owned subsidiary of Taft Property Venture Development Corporation (TPVDC). TPEPI's primary purpose is to create a mixed-use commercial and residential district within a 12-hectare property in Lapu-Lapu City. A joint venture agreement was entered into last April 26, 2013 between TPVDC and Ayala Land. Under the agreement, Ayala Land will own 55% of TPEPI and TPVDC will own the remaining 45% of TPEPI. Ayala Land's rights to the venture were subsequently transferred to CHI on September 18, 2013 to enhance the latter's portfolio and operations. It is consistent with the thrust of CHI to expand its business.

Central Block Developers, Inc (CBDI) is a subsidiary of the Ayala Land with pro-rata ownership of the Group's Cebu Companies, CPVDC and CHI. The project of CBDI is called Central Bloc and is located at the core of Cebu IT Park. The development includes two BPO towers, an Ayala branded hotel, and a 5-storey mall. CBDI was registered with the SEC on July 28, 2015 and has not yet started commercial operations.

Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between Ayala Land, Inc. and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue.

International

First Longfield Investments Limited is wholly owned by Ayala Land. On March 7, 2011, Ayala Land, Ayala Corp and The Rohatyn Group completed an exchange of ownership interests in Arch Capital and Arch Capital Asian Partners G.P (a Cayman Islands company), with proceeds and carrying value of the investments as of the date of exchange amounting to US$3.8 million and US$0.4 million, respectively, resulted to a gain of US$2.9 million, net of transaction costs. The exchange in ownership interest resulted in TRG acquiring ALI's 17% stake and Ayala Corp's 33% interest. The completed exchange of ownership interests did not change the activities, management, focus and shareholder structure of the ARCH Fund, with the Company retaining its current 8% interest in the fund

Regent Wise Investments Limited (Regent Wise), a wholly owned subsidiary of Ayala Land is registered in Hongkong and holds 32.95% in MCT BHd, Malaysian development and construction company; a 40% investment in Tianjin Eco-city Ayala Land Development Co., Ltd., for the development and sale of residential condominium in Tianjin, China, and in British Columbia, Canada.

AyalaLand Real Estate Investments Inc. was incorporated on February 4, 2013 under the laws of British Columbia, Canada. It is 100%-owned by the Company through RegentWise. It is the beneficiary of the Trust and a Shareholder of Rize-AyalaLand (Kingsway) GP Inc. As of December 31, 2014 and 2013, it is a party to the Rize-AyalaLand (Kingsway) Limited Partnership.

AyalaLand Advisory Broadway Inc. was incorporated on February 4, 2013 under the laws of British Columbia, Canada. It is a wholly owned subsidiary of the Company through Regent Wise.

AyalaLand Development (Canada) Inc. was incorporated on February 15, 2013 under the laws of British Columbia, Canada. It is a wholly owned subsidiary of the Company through Regent Wise. It is a party to the Management Services Agreement between Rize-AyalaLand (Kingsway) Limited Partnership, Rize-AyalaLand (Kingsway) GP Inc., Rize Alliance Properties Ltd. and AyalaLand Development (Canada) Inc.

Prime Orion Philippines Inc. (POPI) – 63% owned POPI owns Tutuban Center, a retail complex with a gross leasable area of 55,680 sqm in Divisoria. Tutuban Center, which sits on a 20-hectare property. It will be the location of the planned LRT2 Grand Central Station.

Construction

Makati Development Corporation, 100% owned by Ayala Land, engages in engineering, design and construction of horizontal and low-rise vertical developments. It servicea site development requirements of Ayala Land-related projects while providing services to third-parties in both private and public sectors.

MDC Build Plus was formed to cater primarily to Ayala Land's residential brands Amaia and BellaVita.

MDC Conqrete, Inc. (MCI), a wholly owned subsidiary of MDC was incorporated on August 12, 2013 primarily to manufacture, facilitate, prepare, ready-mix, pre-cast and pre-fabricate floor slabs, wall panels and other construction materials and to manufacture, buy, sell and deal with cement and other related products.

MDC Equipment Solutions, Inc. (MESI) is a wholly owned subsidiary of MDC, incorporated on September 16, 2013 primarily to acquire, manage, and operate tools, heavy equipment and motor vehicles.

MDC Subic Inc. is a wholly owned subsidiary of MDC primarily to develop ALI projects in Subic including Harbor Mall.

MDBI Construction Corp., formerly MDC Triangle, Inc., was incorporated on March 1, 2017. The company is 67% owned by Makati Development Corp., and 33% owned by Bouyges Batiment International, a Europe-based company which is also a subsidiary of Bouyges Construction. MDBI was organized to engage in general contracting services.

Other Businesses

Aprisa Business Process Solutions, Inc., a wholly owned subsidiary of Ayala Land that manages and handles transactional accounting processes and services across the Ayala Land group.

ALI Capital Corp, a wholly owned subsidiary of the Company, was incorporated with the Securities and Exchange Commission (SEC) on June 25, 2012. It is the holding company of the Company for its retail-related initiatives. In 2012, the Company formed a partnership with Specialty Investments, Inc. (SII) to pursue opportunities in the Philippine retail sector. SII is a wholly owned subsidiary of Stores Specialists, Inc. (SSI), one of the largest retail companies in the Philippines, with the exclusive rights to sell, distribute and market in the country a variety of brands from around the world. The partnership with SII will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Integrated Eco-Resort, Inc. was incorporated with the SEC on May 27, 2015. It is a wholly owned subsidiary of ALI Capital Corp. incorporated to engage in land and real estate business development particularly the Caliraya Lake project.

Whiteknight Holdings, Inc. (WHI) was registered on May 14, 2013. The Company entered into an agreement with the Mercado family to acquire WHI in July 2013. The transaction was consummated in November 2013, thereby making WHI a wholly owned subsidiary of the Company. WHI owns 33% equity stake in Mercado General Hospital, Inc., owner and operator of the Daniel O. Mercado Medical Center in Tanauan, Batangas, the University Physicians Medical Center through its subsidiary Mercado Ambulatory and Surgical Centers, Inc., DMMC - Institute of Health Sciences, Inc. and Panay Medical Ventures, Inc.

Prime Support Services, Inc. is a wholly owned subsidiary of APMC and was incorporated on October 14, 2015. It is a company that provides technical and administrative services but not limited to the maintenance and the improvement of the physical aspects of the administered properties.

Arca South Integrated Terminal, Inc. is a wholly owned subsidiary of ALI which was incorporated on November 27, 2015. It is organized to finance, design, construct and manage the South Transport System Terminal Project located in Bicutan (formerly FTI). It is a project to be rolled out by the Department of Transportation and Communications which involves the development of mass transportation intermodal terminal at the southern outskirts of Metropolitan Manila to provide effective interconnection between transport modes and services.

AyalaLand Medical Facilities Leasing, Inc. is a wholly owned subsidiary of Ayala Land, Inc. It was incorporated with SEC on April 13, 2015 to engage primarily in developing and lease of Built-to-suit structure for ALI’s hospital operations and retail.

Island Transvoyager, Inc., a wholly owned subsidiary Ayala Land thru ALI Capital Corp. (formerly Varejo Corp.). ITI was incorporated on October 2, 2002 with the primary purpose of carrying on the general business of a common carrier and/or private carrier. ITI is the only airline commercially flying from Manila to Lio in El Nido, Palawan. It is expected to be a key player in the industry as it flies to more tourism destinations not serviced by the bigger commercial airlines.

Bankruptcy, Receivership or Similar Proceedings
None for any of the subsidiaries and affiliates above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

On February 26, 2018, the Board of Directors of Cebu Holdings, Inc. (CHI) during its meeting, approved the merger of Cebu Property Ventures Development Corp. (CPVDC) with CHI as the surviving entity. The merger will consolidate CHI's portfolio under one listed entity, creating a unified portfolio for its investments and is expected to result in operational synergies, efficient funds management and simplified reporting to government agencies, as a result of the merger. The plan of merger shall be submitted for approval of the stockholders of the two companies during their respective annual stockholders' meeting to be held on April 10, 2018. It will then be filed with the Securities and Exchange Commission (SEC) and is expected to be approved within the next two months.

On January 2, 2018, Ayala Land, through its wholly-owned subsidiary Regent Wise Investments Limited, signed a share purchase agreement to acquire an additional 17.24% share in MCT, raising ALI's total shareholding in MCT to 50.19%. As a result of this transaction, an unconditional mandatory take-over offer was dispatched to the shareholders of MCT which commenced in January 26 and ended last February 19, 2018. Ayala Land received acceptances equivalent to 22.12% of MCT's outstanding shares, increasing ALI's shareholdings in MCT to 72.31%.

On October 30, 2017, SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation have entered into a Memorandum of Agreement (MOA) to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX). SIAL CVS Retailers, Inc., (a 50-50 joint venture company between ALI Capital Corp. (a 100% subsidiary of Ayala Land, Inc.) and SSI Group, Inc.), owned 60% of PFM, while Japanese companies, FamilyMart Co., Ltd. and ITOCHU Corporation, own 37.6% and 2.4% respectively.

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45/share amounting to ₱1,255.58 million. The acquisition of POPI shares by OLI was treated as an acquisition of non-controlling interest resulting to a debt to equity reserve of ₱405.18 million. This increased ALI's effective share ownership to 63.05%.

On February 23, 2017, Ayala Land together with BPI Capital Corporation and Kickstart Ventures, Inc. signed an investment agreement to acquire ownership stakes in BF Jade E-Service Philippines, Inc, owner and operator of online fashion platform, Zalora Philippines. ALI will own 1.91% of Zalora Philippines through this transaction.

On February 20, 2017, The Board of Directors during its meeting approved the raising of up to ₱20.00 billion through (i) retail bonds, (ii) corporate notes and/or (iii) bilateral term loans with a term of up to ten (10) years, to partially finance general corporate requirements. The Board also approved the raising of up to ₱10.00 billion through the issuance of short dated notes with a tenor of up to 21 months to refinance the Corporation's short-term loans.

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities

Corporation for ₱1.26 million. ALI's interest remains at 51% of total POPI's outstanding capital stock.

In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which brought up ALI's ownership to 72% of the total outstanding capital stock of CHI.

On August 19, 2016, The Board of Directors during its meeting approved the terms and conditions of the ₱7.0 billion third tranche of the Fixed-rate Bonds Series and ₱3.0 billion Homestarter Bonds under the Corporation's ₱50.0 Billion Debt Securities Program as approved by the SEC in March 2016.

On June 1, 2016, Ayalaland Mall Synergies, Inc., a wholly owned subsidiary of Ayala Land, Inc, was incorporated. The company will house the Commercial Business Group's allied businesses such as but not limited to the partnership with Mercato, LED, and operations of upcoming mall's foodcourt.

On May 19, 2016, additional ESOWN shares were subscribed under the ESOWN totaling 3,110,756 common shares.

On May 18, 2016, additional ESOWN shares were subscribed totaling 293,919 common shares at ₱26.27 per share by four (4) grantees.

On May 11, 2016, 137 ESOWN grantees subscribed to 13,646,546 common shares at ₱26.27 per share.

On April 12, 2016, the Board of Directors during its meeting approved the terms and conditions of the ₱7.0 billion second tranche of the Fixed-rate Bonds Series under the Corporation's ₱50.0 Billion Debt Securities Program as approved by the SEC in March 2016. The 9.5-year Fixed-rate Bonds was priced at a rate of 4.75% per annum. The Fixed-rate Bonds was issued on April 25, 2016 and will mature in 2025.

In March 2016, ALI bought additional 200,953,364 common shares of CHI. This increased the Company's stake from 56.40% to 66.87% of the total outstanding capital stock of CHI.

On March 14, 2016, the Company acquired 55% interest in Prow Holdings, Inc. for a purchase price of ₱150 million. The acquisition was made in line with the Company's partnership with Leonio Land, Inc. to develop a mixed-use community in Porac, Pampanga.

On March 1, 2016, SIAL Specialty Retailers, Inc. ("SIAL"), a joint venture company between ALI and the SSI Group, Inc., entered into a Deed of Absolute Sale with Metro Retail Stores Group, Inc. to sell fixed assets including fit-outs, furniture, fixtures and equipment in SIAL's department stores located at Fairview Terraces and UP Town Center.

In March 2016, the Company acquired an 18% stake in OCLP Holdings, Inc. (OHI), consistent with its thrust of expanding operations into other areas within and outside Metro Manila through partnerships. OHI holds 99.51% equity interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses.

On February 24, 2016, ALI and POPI executed a Deed of Subscription and a Supplement to the Deed of Subscription whereby ALI subscribed to 2.5 billion common shares of stock of POPI, which will represent 51.06% of the total outstanding shares of POPI. The consideration for the ALI subscription is ₱2.25 per share or a total subscription price of ₱5.6 billion of which 25% or ₱1.4 billion was paid and the balance of 75% to be paid upon fulfillment of certain terms and conditions.

In February 2016, the Company purchased additional 906,000 common shares of CHI from BPI Securities totaling ₱4.06 million. This brings ALI's ownership from 56.36% to 56.40% of total outstanding capital stock of CHI.

On January 21, 2016, ALI and LT Group, Inc. (“LTG”) entered into an agreement to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

On January 12, 2016, the Company has entered into a partnership with Manila Water Philippine Ventures, Inc., a wholly owned subsidiary of Manila Water Company, Inc., for the waterworks of ALI’s projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. (“CHI”) and Cebu Property Ventures and Development Corp.

On October 15, 2015, ALI, through its wholly-owned subsidiary, Regent Wise Investments Limited, exercised its option to acquire additional shares of Malaysian development and construction company, MCT, Bhd. (MCT) for a total cost of US$92Mn, to bring its total shareholding in MCT from 9.16% to 32.95%.

On August 13, 2015, ALI entered into an agreement with Prime Orion Philippines, Inc. (POPI) to subscribe 2,500,000,000 common shares of stock or 51.36% interest in POPI for a total consideration of ₱5.6 billion, subject to certain terms and conditions. POPI is listed in the Philippine Stock Exchange and is the owner of Tutuban Center in Manila City through its wholly owned subsidiary Tutuban Properties, Inc.

On August 11, 2015, ALI has won the bid for the Integrated Transport System Project – South Terminal (“ITS South Project"). ALI will be awarded by the Department of Transportation and Communications (“DOTC”) with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built.

On June 30, 2015, Ayala Land, Inc., through SM-ALI Group consortium, participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 square meters, which is a portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963 (the “Property”).

On April 08, 2015, ALI purchased all of the 8.2 million common shares of Aegis PeopleSupport Realty Corporation amounting to P435M. Aegis PeopleSupport Realty Corporation is a PEZA-registered entity and the owner of Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City.

On April 06, 2015, ALI through its wholly-owned subsidiary, Regent Wise Investments Limited, has acquired 9.16% of the shares of Malaysian company GW Plastics Holdings Bhd., to be renamed MCT Bhd., through a private placement for a total amount of US$43 Mn or P1.9 Bn. y partnering with a company such as MCT, Bhd., ALI will be expanding its footprint in Southeast Asia in line with its diversification goals and sets the platform for growth in Malaysia.

On February 06, 2015, ALI purchased the combined remaining interest of Allante Realty and Development Corporation (Allante) and DBH, Inc. (DBH) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 167,548 common shares and 703,904 preferred shares amounting to PhP229M. This brings ALI’s ownership in NTDCC from 70.36% to 73.24% of the total outstanding capital stock of NTDCC.

On February 06, 2015, ALI purchased its proportionate share in DBH Inc and Allante Realty who owns 4.08% each in NTDCC for a total of ₱422.5 million. This transaction increased ALI’s stake in NTDCC from 58.53% to 63.82%.

Various diversification/ new product lines introduced by the company during the last three years

New Businesses

Ayala Land ventured into maiden businesses to further complement and enhance the value proposition of its large scale, master planned, integrated mixed-use estate developments. The introduction of these new formats is likewise seen to boost the Company's recurring income base.

Hospitals/Clinics

Ayala Land entered into a strategic partnership with the Mercado Group in July 2013 to establish hospitals and clinics located in the Company's integrated mixed-use developments. The Company enhances its communities with the introduction of healthcare facilities under the QualiMed brand. In 2014, QualiMed opened three (3) clinics in Trinoma, Fairview Terraces, McKinley Exchange Corporate Center, and Qualimed General Hospital in Atria Park, Iloilo while UP Town Center Clinic in Quezon City was opened in the end of 2015. In the 2nd Quarter of 2016, Qualimed opened a hospital in Altaraza San Jose Del Monte Bulacan. In the 3rd Quarter of 2017, Qualimed opened its 102-bed hospital in Nuvali, Sta. Rosa, Laguna.

Supermarkets

ALI Capital Corporation (formerly Varejo Corporation), a subsidiary of Ayala Land, entered into a joint venture agreement with Entenso Equities Incorporated, a wholly-owned entity of Puregold Price Club, Inc., to develop and operate mid-market supermarkets for some of Ayala Land's mixed-use projects branded as Merkado Supermarket. The first supermarket was opened in the 3rd quarter of 2015 at UP Town Center while its second store was opened in December 2017 at Ayala Malls Vertis North.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its shopping center business, Ayala Land's main competitor is SM which owns numerous shopping centers around the country. Ayala Land is able to effectively compete for tenants given that most of its shopping centers are located inside its mixed-used estates, populated by residents and office workers. The design of Ayala Land's shopping centers also features green open spaces and parks.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld, SM and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner and the quality of support services provided by its property manager, rental and other charges.

With respect to residential lots and condominium products, Ayala Land competes with developers such as Megaworld, DMCI Homes, Robinsons Land, and SM Development Corporation. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income/affordable housing business, Ayala Land sees the likes of SM Development Corp, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

For the economic housing segment, Amaia competes with Camella Homes, DMCI Homes, Filinvest, Robinsons Land and SM Development Corporation.

BellaVita, a relatively new player in the socialized housing market, will continue to aggressively expand its geographical footprint with product launches primarily located in provincial areas.

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Transactions with related parties
Please refer to Item 12 of this report ("Certain Relationships and Related Transactions).

Government approvals/regulations

The Company secures various government approvals such as the environmental compliance certificate, development permits, license to sell, etc. as part of the normal course of its business.

Employees

Ayala Land has a total workforce of 399 regular employees as of December 31, 2017.

The breakdown of the ALI - Parent Company employees according to category is as follows:

Senior Management	25
Middle Management	226
Staff	148
Total	399

Employees take pride in being an ALI employee because of the company's long history of bringing high quality developments to the Philippines. With the growth of the business, career advancement opportunities are created for employees. These attributes positively affect employee engagement and retention.

The Company aims that its leadership development program and other learning interventions reinforce ALI's operating principles and provide participants with a set of tools and frameworks to help them develop skills and desired qualities of an effective leader. The programs are also venues to build positive relations and manage networks within the ALI Group.

ALI has a healthy relation with its employees' union. Both parties openly discuss employee concerns without necessity of activating the formal grievance procedure.

Further, employees are able to report fraud, violations of laws, rules and regulations, or misconduct in the organization thru reporting channels under the ALI Business Integrity Program.

Risks

Ayala Land is subject to significant competition in each of its principal businesses of property development, commercial leasing and services. In property development, Ayala Land competes with

other developers to attract condominium and house and lot buyers. In commercial leasing, it competes for shopping center and office space tenants, as well as customers of the retail outlets, restaurants, and hotels and resorts across the country.
However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

High-End, Middle-Income, Affordable Residential, and Economic and Socialized Housing Developments

With respect to high-end and middle-income land and condominium sales, Ayala Land competes for buyers primarily on the basis of reputation, reliability, price, quality, and the location of the community in which the relevant site is located. For the affordable, economic and socialized housing markets, Ayala Land competes for buyers based on quality of projects, affordability of units and availability of in-house financing. Ayala Land is also actively tapping the overseas Filipino market. In addition it has seen demand from foreign buyers both residing in the country and abroad.

Shopping Center, Office Space and Land Rental

For its shopping centers, Ayala Land competes for tenants primarily based on the ability of the shopping center to attract customers. This is typically hinged on the location and the tenant-mix of the retail center, the reputation of the retail center owner, as well as rental and other charges. The market for shopping centers has become competitive and with the growing number of pipeline and new shopping center openings across the country. Some competing shopping centers are located within relatively close proximity of Ayala Land's commercial centers.

With respect to its office rental properties, Ayala Land competes for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. The Company is addressing the continuing demand from BPOs and corporate by providing fully integrated and well maintained developments (high rise or campus facility) in key locations in the country.

Hotel and Resort Operations

The local hotel and resort sector is largely driven by foreign and local travel for leisure or business purposes. Any slowdown in tourism and business activity due to global financial and local political turmoil and security concerns could potentially limit growth of the Company's hotels and resorts.

Construction

Ayala Land's construction business is benefiting from the improved performance of the construction industry, particularly from an uptick in development activities mostly from the residential and retail sector. With booming construction across the country, Ayala Land must manage the risk of providing enough skilled workers to deploy to its various projects. Any slowdown in the construction business could potentially cap growth of the Company's construction arm.

Property Management

Ayala Land directly manages its properties as well as other third-party properties through Ayala Property Management Corporation. Its employees directly interface with customers and must ensure that Ayala Land’s brand, quality and reputation are upheld in the regular upkeep of managed properties. Employees must continuously be trained to be able to provide high-quality service in order to preserve Ayala Land’s brand equity.

Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates happening at a swift pace
- Changes in the value of the Peso

- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country's liquidity and credit exposures

To mitigate the above-mentioned risks, Ayala Land shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

Working Capital

Ayala Land finances its working capital requirements through a combination of internally-generated cash, pre-selling, joint ventures agreements, borrowings and issuance of bond proceeds from the sale of non-core assets.

Domestic and Export Sales

The table below illustrates the amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for the years ended December 31, 2017, 2016, 2015: (in ₱'000)

	2017	**2016**	**2015**
Consolidated revenues			
Domestic	139,131,909	122,873,268	105,829,378
Foreign	241,432	392,627	-136,330
	139,373,341	123,265,895	105,693,048
Net operating income			
Domestic	43,071,498	38,271,169	32,917,333
Foreign	-90,142	343,765	-150,160
	42,981,356	38,614,934	32,767,173
Net Income Attributable to Equity Holders of ALI			
Domestic	25,321,099	20,509,657	17,728,687
Foreign	(16,134)	(398,854)	(98,412)
Total	25,304,965	20,908,511	17,630,275
Total Assets			
Domestic	564,182,334	527,825,623	434,061,852
Foreign	9,810,000	8,607,372	8,279,948
Total	573,992,334	536,432,995	442,341,800

Property development business contributed 64% for 2016 and 68% for 2017. Property development includes development and sale of residential lots, residential and office units, leisure properties, middle-income, affordable and economic housing and socialized housing.

Item 2. Properties

LANDBANK / PROPERTIES WITH MORTGAGE OF LIEN

The following table provides summary information on ALI's land bank as of December 31, 2017. Properties are wholly-owned and free of lien unless noted.

Estates	Location	Land Area in hectares
Makati CBD	Makati, MM	46
BGC	Taguig, MM	36
Vertis North	Quezon City, MM	15
Southpark District	Alabang, MM	2
Circuit	Makati, MM	12
Arca South	Taguig, MM	27
Cloverleaf	Quezon City, MM	8
Parklinks	Pasig City, MM	35
Luzon Estates		
Nuvali	Laguna, Region 4A	950
Altaraza	Bulacan, Region 3	642
Alviera	Pampanga, Region 3	1,505
Vermosa	Cavite, Region 4A	267
Evo City	Cavite, Region 4A	216
Lio/El Nido	Palawan, Region 4B	963
Visayas Estates		
Cebu Park District	Cebu	21
Gatewalk Central	Cebu	13
Seagrove	Cebu	7
Northpoint	Negros Occidental	124
Capitol Central	Negros Occidental	8
Atria	Iloilo	13
Sicogon	Iloilo	810
Mindanao Estates		
Centrio	Cagayan de Oro	3
Abreeza	Davao	11
Azuela Cove	Davao	27
Other Parcels		
Other Luzon		3,708
Other Visayas		198
Other Mindanao		615
TOTAL		**10,285**

LEASED PROPERTIES

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to P106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

On January 28, 2011, a notice was given to the Company for the P4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for a 58,000 square meters another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space.

(For the complete list of leased properties, please refer to Audited FS)

Rental Properties

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. As of December 31, 2017, rental revenues from these properties accounted for ₱30.96 billion or 21.76% of Ayala Land's consolidated revenues, 10% higher than the ₱28.07 billion recorded in the same period in 2015. Lease terms vary depending on the type of property and tenant.

Property Acquisitions

With 10,285 hectares in its land bank as of December 31, 2017, Ayala Land believes that it has sufficient properties for development in next 25 years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In January 2016, ALI and LT Group, Inc. (LTG) entered into an agreement to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

In June 2015, ALI, through SM-ALI Group consortium, participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is a portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963 (the "Property"). SM-ALI Group consortium is a consortium among SM Prime Holdings, Inc. ("SM"), Ayala Land, and Cebu Holdings, Inc. ("CHI", together with ALI collectively referred to as the "ALI Group"). The SM-ALI Group will co-develop the property pursuant to a joint master plan.

In April 2015, ALI purchased all of the 8.2 million common shares of Aegis PeopleSupport Realty Corporation amounting to ₱435 million. Aegis PeopleSupport Realty Corporation is a PEZA-registered entity and the owner of Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 sqm and is largely occupied by Teleperformance under a long-term lease.

On February 6, 2015, ALI purchased the combined remaining interest of Allante Realty and Development Corporation (Allante) and DBH, Inc. (DBH) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 167,548 common shares and 703,904 preferred shares amounting to ₱229 million. This brings ALIC) consisting of 167,548 common shares and 703,904 total outstanding capital stock of NTDCC.

In January 2014, ALI entered and signed into a 50-50% joint venture agreement with AboitizLand, Inc. for the development of a 15-hectare mixed-use community in Mandaue City, Cebu. The first project of this joint venture will involve the construction of a mall and a residential condominium unit with an estimated initial cost of ₱3 billion.

On November 23, 2013, ALI, through its wholly-owned subsidiary, Ayala Hotels and Resorts Corp, (AHRC) signed an agreement to acquire 100% interest in Asian Conservation Company, Inc. (ACCI) which effectively consolidates the remaining 40% interest in Ten Knots Development Corp. (TKDC) and Ten Knots Philippines Inc. (TKPI) (60%-owned subsidiary of the Company prior to this acquisition). The agreement resulted in the Company effectively obtaining 100% interest in TKPI and TKDC.

On April 16, 2013, ALI entered into a Sale and Purchase Agreement (SPA) with Global International Technologies Inc. (GITI) to acquire the latter's 32% interest in ALI Property Partners Co. (APPCo) for ₱3.52 billion. GITI is a 100% owned company of the Goldman Sachs Group Inc. The acquisition increased ALI's stake in APPCo from 68% to 100%. APPCo owns BPO buildings in Makati, Quezon City and Laguna with a total gross leasable area of around 230,000 sqm. The carrying amount of the non-controlling interest is reduced to nil as APPCo became wholly owned by the Company. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company amounting to ₱2,722.6 million.

MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES

The Company has certain properties in Makati City that are mortgaged with BPI in compliance with BSP rules on directors, officers, stockholders and related interests.

Item 3. Legal Proceedings

As of December 31, 2017, ALI, its subsidiaries, and its affiliates, are not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

However, there are certain litigation ALI is involved in which it considers material, and though the events giving rise to the said litigation occurred beyond the five (5) year period, the same are still unresolved, as follows:

Las Piñas Property

Certain individuals and entities have claimed an interest in ALI's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale. Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are, in general, superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning in October 1993, ALI filed petitions in the Regional

Trial Courts (RTC) in Makati City and Las Piñas City for quieting of title to nullify the purported titles or claims of these claimants. These cases are at various stages of trial and appeal. Some of these cases have been decided by the Supreme Court. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The controversy involves the remaining area of approximately 126 hectares.

On July 26, 2017 and December 4, 2017, the Supreme Court ruled against ALI invalidating ALI's title to 46 hectares of the Southlinks Golf Course. ALI has filed a second motion for reconsideration.

ALI has made no allowance in respect of such actual or threatened litigation expenses.

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – SECURITIES OF THE REGISTRANT

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

Ayala Land common shares are listed with the Philippine Stock Exchange.

Philippine Stock Exchange
Prices (in PhP/share)

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	2017	2016	2017	2016	2017	2016
First Quarter	37.95	36.95	31.25	30.20	33.05	35.25
Second Quarter	42.40	39.60	33.15	33.75	39.75	38.80
Third Quarter	46.10	42.00	39.10	37.90	43.50	39.25
Fourth Quarter	46.00	39.75	41.00	30.05	44.60	32.00

The market capitalization of ALI as of end-2017, based on the closing price of ₱44.60/share, was approximately ₱656.7 billion.

The price information as of the close of the latest practicable trading date April 11, 2018 is ₱40.50 per share.

Stockholders

The following are the top 20 registered holders of the common equity securities of the Company:

Common Stockholders: There are 9,190 registered holders of common shares of the Company as of January 31, 2018:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Ayala Corporation*	6,891,880,451	46.80411%
2.	PCD Nominee Corporation (Non-Filipino)	5,657,273,442	38.41965%
3.	PCD Nominee Corporation (Filipino)	1,887,764,743	12.82018%
4.	ESOWN Administrator 2009	16,480,097	0.11192%
5.	ESOWN Administrator 2012	14,649,145	0.09949%
6.	ESOWN Administrator 2015	13,567,869	0.09214%
7.	ESOWN Administrator 2010	13,158,784	0.08936%
8.	ESOWN Administrator 2016	12,804,379	0.08696%
9.	ESOWN Administrator 2013	11,464,588	0.07786%
10.	ESOWN Administrator 2011	10,455,059	0.07100%
11.	ESOWN Administrator 2017	10,368,938	0.07042%
12.	ESOWN Administrator 2014	9,056,017	0.06150%
13.	Emilio Lolito J. Tumbocon	8,343,512	0.05666%
14.	Estrellita B. Yulo	5,732,823	0.03893%
15.	Jose Luis Gerardo Yulo	5,426,367	0.03685%
16.	ESOWN Administrator 2008	5,247,273	0.03564%
17.	Ma. Angela Y. La'o	3,728,620	0.02532%
18.	Lucio W. Yan	3,483,871	0.02366%
19.	Telengtan Brothers and Sons, Inc.	3,480,000	0.02363%
20.	Ma. Lourdes G. Latonio	3,124,650	0.02122%

**31,787,276 shares held by Ayala Corporation (or 0.216% of the outstanding common shares) are lodged with PCD Nominee Corporation.*

Voting Preferred Stockholders: There are approximately 2,838 registered holders of voting preferred shares of the Company as of January 31, 2018.

	Stockholder Name	No. of Voting Preferred Shares	Percentage (of voting preferred shares)
1.	Ayala Corporation	12,163,180,640	93.08679%
2.	HSBC Manila OBO A/C 000-171512-554	512,777,000	3.92437%
3.	Government Service Insurance System	156,350,871	1.19658%
4.	HSBC Manila OBO A/C 000-171512-571	15,051,000	0.11519%
5.	DB MLA OBO SSBTC Fund HG16	15,000,000	0.11480%
6.	Wealth Securities, Inc.	14,825,373	0.11346%
7.	Deutsche Bank AG Manila OBO SSBTC Fund OD67 AC 12087020417	13,670,744	0.10462%
8.	Samuel Villes Santos and/or Luzviminda Lat Santos	12,001,800	0.09185%
9.	DB MLA OBO SSBTC Fund C021	8,497,223	0.06503%
10.	Investors Securities, Inc.	6,251,770	0.04785%
11.	First Metro Securities Brokerage Corp.	5,103,853	0.03906%
12.	Deutsche Regis Partners Inc.	3,961,757	0.03032%
13.	DB MLA OBO SSBTC Fund FA20	3,951,800	0.03024%
14.	Papa Securities Corporation	3,536,538	0.02707%
15.	DB MLA OBO SSBTC Fund FA2N	3,534,608	0.02705%
16.	Maybank ATR Kim Eng Securities, Inc.	3,450,214	0.02641%
17.	Ansaldo, Godinez & Co. Inc.	3,388,848	0.02594%
18.	HSBC Manila OBO A/C 000-171512-551	2,940,048	0.02250%
19.	Belson Securities, Inc.	2,800,874	0.02144%
20.	CBNA FAO 6002079572 CITIMNFOR c/o Carmelynna C. Malabanan	2,725,700	0.02086%

<u>Dividends</u>

STOCK DIVIDEND (Per Share)			
PERCENT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
20%	February 1, 2007	May 22, 2007	June 18, 2007

CASH DIVIDEND (Per Common Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.2075	Feb. 20, 2015	March 6, 2015	March 20, 2015
0.2075	Aug. 17, 2015	Sept. 2, 2015	Sept. 16, 2015
0.2380	Feb. 26, 2016	March 11, 2016	March 23, 2016
0.2380	Aug. 18, 2016	Sept. 02, 2016	Sept. 16, 2016
0.2400	Feb. 20, 2017	Mar. 06, 2017	Mar. 22, 2017
0.2400	Aug. 18, 2017	Sept. 05, 2017	Sept. 15, 2017
0.2520	Feb. 20, 2018	Mar. 12, 2018	April 3, 2018

CASH DIVIDEND (Per Voting Preferred Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.00474786	Feb. 20, 2015	June 15, 2015	June 29, 2015
0.00474786	Feb. 26, 2016	June 15, 2016	June 29, 2016
0.00474786	Feb. 20, 2017	June 15, 2017	June 29, 2017
0.00474786	Feb. 20, 2018	June 15, 2018	June 29, 2018

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Special cash dividends are declared depending on the availability of cash, taking into account the Company's CAPEX and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

Recent Sale of Securities

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the Executive Stock Option Plan (ESOP) and the subscription to the common shares under the Executive Stock Ownership Plan (ESOWN) as follows:

Year	No. of Shares	
	ESOP*	ESOWN
	(exercised)	(subscribed)
2015	-	17.8 Million
2016	-	17.1 Million
2017	-	12.3 Million

**not offered starting 2015*

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

On March 12, 2013, Ayala Corporation executed the placement of, and subscription to the Company's 399,528,229 common shares at ₱30.50 per share or an aggregate of ₱12.2 billion. The placement price of ₱30.50 per share was at a 3.6% discount on the 5-day volume-weighted average price of the Company's stock and was the agreed clearing price among the purchasers of the shares and the placement agent, UBS Investment Bank.

On January 12, 2015, Ayala Corporation executed the placement of, and subscription to the Company's 484,848,500 common shares at ₱33.00 per share or an aggregate of ₱16 billion. The placement price of ₱33.00 per share was at a 3.9% discount on the 5-day volume-weighted average price of the Company's stock and was the agreed clearing price among the purchasers of the shares and the placement agent, UBS AG.

The Company filed Notices of Exemption with the SEC for the issuance of the 399,528,229 and 484,848,500 common shares under the following provisions of the SRC:

SRC Subsection 10.1 (e), The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

SRC Subsection 10.1 (h), “Broker’s transaction, executed upon customer’s orders, on any registered Exchange or other trading market.”

SRC Subsection 10.1 (k), “The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period.”

SRC Subsection 10.1 (l), “The sale of securities to banks, insurance companies, and investment companies.”

Corporate Governance

i. The evaluation system which was established to measure or determine the level of compliance of the Board and top level management with its Revised Manual of Corporate Governance consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the Annual Corporate Governance Report to the Securities and Exchange Commission.

ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management’s performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

iii. There were no deviations from the Company’s Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operation

Review of 2017 operations vs 2016

Ayala Land, Inc. (ALI or "the Company") posted a net income of ₱25.31 billion, a solid earnings growth of 21% in 2017. The Company sustained a healthy topline with ₱142.30 billion in consolidated revenues, 14% higher than 2016. Real Estate revenues likewise increased 13% to ₱133.1 billion, driven by the resurgence of property sales and the strong growth of its leasing business. Meanwhile, earnings before interest and taxes (EBIT) margin registered at 30.1% compared to 29.7% last year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development. This includes the sale of residential lots and units, office spaces, as well as commercial and industrial lots.

Total revenues from Property Development amounted to ₱96.39 billion, 24% higher than ₱77.73 billion last year.

Residential. Revenues from the sale of residential lots and units reached ₱79.90 billion, 25% higher than P64.08 billion last year, driven by bookings and project completion across all residential brands.

Ayala Land Premier (ALP) registered revenues of ₱26.50 billion, 7% higher than ₱24.86 billion last year given higher completion from its subdivision projects such as Cerilo in Nuvali and The Courtyards Phase 2 in Vermosa and its condominium projects such as Park Central North in Makati and Arbor Lanes 3 in Arca South.

Alveo meanwhile recorded revenues of P26.17 billion, a robust gain of 45% from ₱18.03 billion last year due to higher completion of its subdivision projects such as Ardia in Vermosa, Cavite and Montala in Alviera, Porac Pampanga and its condominium projects such as High Park Tower 2 in Vertis North, Quezon City, Verve Residences 2 and Veranda Phase 2.

Avida posted revenues of ₱20.83 billion, a strong growth of 22% from ₱17.07 billion last year on the account of combined higher bookings and incremental completion of its condominium projects such as Avida Towers Turf 1, The Montane and Avida Tower Verte in Bonifacio Global City, Avida Tower Sola 1 in Vertis North, Avida Towers Riala 3 in Cebu City, and Avida Towers One Union Place 1 and 2 in Arca South and its subdivision projects such as Hillcrest Estates, Woodhill Settings, and Southfield Settings in Nuvali.

Amaia generated revenues of ₱5.74 billion, a significant increase of 72% from P3.35 billion last year as a result of higher bookings and completion Skies Towers in Avenida, Shaw, Sta. Mesa and Cubao and Steps projects in Bicutan, Sucat, Nuvali Parkway and Capitol Central in Bacolod City. BellaVita meanwhile reached revenues of P652 million, 16% lower than ₱776 million last year.

The average gross profit margin of horizontal projects improved to 47% from 43% due to the higher contribution of The Courtyards and Ardia in Vermosa, Riomonte in Nuvali and Montala in Alviera while the average gross profit margin of vertical developments declined to 30% from 35% in recognition of higher project costs.

Office for Sale. Revenues from the sale of office spaces reached ₱9.45 billion, 15% higher than P8.20 billion last year driven by higher completion of Alveo's High Street South Corporate Plaza 2, Alveo Financial Tower in Makati CBD, and Avida's Capital House in BGC. Gross profit margin of offices for sale was maintained at 37%.

Commercial and Industrial Lots. Revenues from the sale of commercial and industrial lots reached P7.04 billion, 29% higher than ₱5.44 billion last year due to higher lot sales in Arca South, Taguig, Vermosa, Cavite and industrial lots in Cavite. Gross profit margin slightly declined to 40% from 41% due to the mix of projects sold.

A resurgence of property sales was seen in 2017 as reservation sales increased 13% to ₱121.96 billion from ₱108.05 billion in 2016 which only posted an annual growth of 3%. Total reservation sales in 2017 translated to an average of ₱10.2 billion in monthly sales. Net booked sales grew 16% to ₱96.86 billion from ₱83.33 billion in the previous year. In the fourth quarter of 2017, property sales also notably increased, sales take-up grew 17% to ₱27.78 billion and net booked sales grew 18% to ₱29.92 billion.

Commercial Leasing. This includes the Company's Shopping Centers and Office Leasing as well as Hotels and Resorts operations.

Total revenues from commercial leasing amounted to ₱30.96 billion, 10% higher than ₱28.07 billion last year.

Shopping Centers. Revenues from shopping centers reached ₱17.66 billion. 10% higher than ₱16.08 billion last year due to the improved performance of the new malls such as The 30th, Tutuban Center and UP Town Center.

Shopping Centers EBITDA margin slightly decreased to 66% from 67% due to early-stage operations of newly opened malls.

The average monthly lease rate registered at ₱1,087 per square meter while same mall rental growth is at 5%. The average occupancy rate for all malls is at 92% while the occupancy rate of stable malls is at 97%. The Company opened 5 new malls in 2017, namely, The 30th in Pasig, Ayala Malls Vertis North and Ayala Malls Cloverleaf in Quezon City, Ayala Malls Marikina and Ayala Malls Feliz, Marikina. This brings the total gross leasable area (GLA) of Shopping Centers to 1.80 million square meters at the end of 2017.

Offices. Revenues from office leasing reached ₱6.66 billion, 12% higher than ₱5.94 billion last year due to the stabilized occupancy of the new offices namely, UP Town Center BPO, Cebu eBloc 4 and ATC BPO.

Office leasing EBITDA margin was maintained at 91% given the stabilized occupancy of new offices.

The average monthly lease rate registered at ₱739 per square meter. The average occupancy rate for all offices is at 86% while the occupancy rate of stable offices is at 97%. The Company completed 6 new offices in 2017, namely, Circuit BPO Tower 1 and 2 in Makati, The 30th Corporate Center in Pasig, One Bonifacio High Street in BGC, Tech Tower Cebu and Vertis North BPO 2 in Quezon City. This brings the total gross leasable area (GLA) of Office Leasing to 1.02 million square meters at the end of 2017.

Hotels and Resorts. Revenues from hotels and resorts reached ₱6.64 billion, 10% higher than ₱6.05 billion last year, due to the higher occupancy and average room rate of El Nido resorts and the opening of Seda Vertis North. Revenue-per-available-room (REVPAR) of hotels decreased by 6% to ₱3,576 per night mainly due to the lower occupancy of its internationally-branded hotels in Makati. Meanwhile, the REVPAR of resorts barely declined, settling at ₱8,052 per night.

Hotels and resorts EBITDA margin was maintained at 28% given its sustained performance from last year.

The average room rate per night of hotels and resorts is ₱5,050 and ₱13,210 respectively. The occupancy of hotels registered at an average of 71% while the occupancy of resorts registered at an average of 61%.

The hotels and resorts segment operates 961 hotel rooms from its internationally branded segment; Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holliday Inn & Suites Makati, 1,301 rooms from Seda Hotels located in Atria in Iloilo, BGC in Taguig, Centrio in Cagayan de Oro, Abreeza in Davao, Nuvali in Santa Rosa Laguna, Vertis North in Quezon City and Seda Bacolod, 213 island resort rooms at El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands and 82 rooms at Lio Tourism Estate, both in Palawan and 26 rooms at Sicogon Island Resort in Iloilo. In 2017, The Company opened Seda Vertis North, initial rooms in Seda Bacolod, additional rooms in Casa Kalaw, Balai Adlao and Hotel Covo in Lio, Palawan and additional rooms in Balay Kogon, Sicogon. This brings the total number of rooms to 2,583 at the end of 2017.

Services. This includes the Company's wholly-owned construction and property management companies; Makati Development Corporation and Ayala Property Management Corporation.

Total revenues from the services segment amounted to ₱71.80 billion, 5% higher than P68.49 billion last year.

Construction. Revenues reached ₱67.40 billion, 3% higher than ₱65.32 billion due to increased order book and higher completion of projects within the Ayala Land group.

Property Management. Revenues from property management registered at ₱4.39 billion, 38% higher than ₱3.17 billion in the previous year due to more managed properties from completed projects.

Blended EBITDA margins of the services segment registered at 10%, a slight decline from 11% in the previous year due to project mix.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in net earnings of associates and joint ventures substantially increased by 56% to ₱865.57 million from ₱554.41 million last year due to the higher net income contribution of non-consolidated associates while interest, investment and other income reached ₱8.33 billion, 31% higher than ₱6.37 billion last year. Interest and Investment income grew due to higher interest income from money market placements and accretion income while other income increased due to higher marketing and management fees.

Expenses

Total expenses registered at ₱104.31 billion, 13% higher than ₱91.97 billion last year mainly due to higher real estate expenses which grew 15% to ₱87.92 billion from ₱76.57 billion last year.

General and administrative expenses (GAE) increased by only 3% to ₱7.28 billion from ₱7.03 billion last year. This resulted into further improvement in the GAE ratio to 5.1% from 5.6% in 2016.

Interest expense, financing and other charges meanwhile posted a 9% increase to ₱9.11 billion from ₱8.37 billion last year as a result of higher interest expense from the higher average daily loan balance. The average cost of debt registered at 4.6%, slightly higher than 4.5% in the previous year as a result of higher interest rates.

Project and Capital Expenditures

Ayala Land spent ₱91.4 billion in capital expenditures, higher than its estimated budget of ₱88.0 billion at the start of 2017, to support the aggressive completion of new projects in its pipeline. 48% was spent on residential projects, 29% on commercial projects, 17% for land acquisition and other investments and 6% for the development of the estates.

Financial Condition

The Company's balance sheet continues to be solidly positioned to support its growth plans.

Cash and cash equivalents, including short-term investments and UITF investments classified as FVPL, stood at ₱25.82 billion resulting in a current ratio of 1.18:1.

Total borrowings registered at ₱174.39 billion which translated to a debt-to-equity ratio of 0.91:1 and a net debt-to-equity ratio of 0.77:1.

Return on equity was at 16.1% as of December 31, 2017.

	End-December 2017	*End-December 2016*
Current ratio [1]	1.18:1	1.12:1
Debt-to-equity ratio [2]	0.91:1	0.93:1
Net debt-to-equity ratio [3]	0.77:1	0.79:1
Profitability Ratios:		
Return on assets [4]	5.07%	4.99%
Return on equity [5]	16.09%	14.86%
Asset to Equity ratio [6]	2.99:1	3.11:1
Interest Rate Coverage Ratio [7]	6.0	5.9

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Total Net income / average total assets
5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI
6 Total Assets /Total stockholders' equity
7 EBITDA/Interest expense

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2017.

Causes for any material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> **– 2017 versus 2016**

Real estate and hotel revenues grew by 13% primarily due to higher sales bookings, incremental project completion from residential projects and strong performance of malls, leasing and hotels & resorts business groups.

Interest and investment income improved by 6% due to the increase in interest income from money market placements due to higher ADB of 16.6B vs. 11.4B, YoY and yield of 2.1% vs. 1.6%, YoY, and increase in accretion income.

Equity in net earnings of associates and joint ventures higher by 56% largely due to increase in NIAT contribution from FBDC companies.

Other Income increased by 241% due to higher marketing and management fees.

Real estate and hotel costs up by 15% primarily due to higher sales and incremental project completion coming from residential, malls, leasing and hotels & resorts business segments.

Interest and other financing charges and other charges increased by 9% mainly due to higher borrowings to finance various capital expenditures.

Provision for income tax increased by 19% largely due to increase in taxable income primarily from real estate.

Non-controlling interests lower by 19% mainly due to decrease in NIAT contribution from non-consolidated companies.

Balance Sheet items – 2017 versus 2016

Short-term investments grew by ₱4.5B primarily due to money market placements of AHI, BGWest, Alveo, RLC and MDC.

Financial assets at fair value through profit or loss decreased by 72% mainly due to the maturity of BG West, POPI, ALI Capital and APMC's UITF investment placements.

Real estate Inventories lower by 7% primarily due to higher sales despite lesser launches of RBG projects.

Other current assets up by 34% due to increase in input VAT and CWT mainly from residential projects and various prepayments (Taxes & Licenses, Ads and Promo, Marketing and Management fees, etc.).

Non-current accounts and notes receivable improved by 27% primarily due to higher bookings and increase in project POC.

Land and improvements declined by 7% mainly due to the transfer from unsubdivided land to investment properties.

Investments in associates and joint ventures higher by 7% due to the new investment in ALI Eton and contribution from ALI's share in the equity in net earnings for full year 2017.

Investment properties grew by 25% primarily due to the additional project costs on new and existing malls and buildings for lease.

Available-for-sale financial assets better by 7% mainly due to higher investments from ALI Capital and Ayalaland Malls Synergies Inc.

Property and equipment improved by 8% mainly coming from the increase in Hotel PPE and ALI Capital (Airswift).

Deferred tax assets higher by 8% due to leasing group's PAS Straight-line recognition of revenue (Accounting Standard vs BIR).

Other non-current assets lower by 20% due to transder of advances to other companies to investment properties.

Short-term debt down by 27% primarily due to Avida, ALI and Alveo's payment of short-term unsecured peso denominated bank loan availments.

Income tax payable decreased by 33% mainly due to payment of income taxes.

Deposit and other current liabilities up by 39% due to the increase in customers' deposits from real estate customers who reached the 10% threshold for sales bookings.

Current portion of long-term debt higher by 27% due to incremental debt of NTDCC, Phil. Energy, and Alveo.

Long-term debt – net of current portion grew by 15% largely due to ALI's additional long-term debt availments, ₱7B short-dated notes and ₱7B bond issuance on May 2017.

Pension liabilities increased by 2% due to additional provision based on actuarial valuation report.

Deposits and other non-current liabilities increased by 6% due to deposits from real estate customers and contribution from leasing group's advance rental and security deposits.

Net unrealized gain/loss on available for sale financial assets down by 7% mainly due to sale of SSI investment.

<u>Review of 2016 operations vs 2015</u>

Ayala Land, Inc. (ALI or "the Company") generated a net income after tax (attributable to equity holders of ALI) of ₱20.91 billion in 2016, 19% higher than the ₱17.63 billion posted in 2015. Consolidated revenues reached ₱124.63 billion, 16% higher than the ₱107.18 billion posted in the same period last year. Revenues from Real Estate increased by 17% to ₱117.70 billion driven by the steady performance of its Property Development, Commercial Leasing and Services businesses.

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 5.6% from 6.2% while the Earnings before interest and taxes (EBIT) margin registered higher at 30% from 29% during the same period last year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development. This includes the sale of residential lots and units, office spaces, as well as commercial and industrial Lots. Total revenues from Property Development amounted to ₱79.24 billion in 2016, 17% higher than the ₱67.77 billion reported during the same period in 2015.

Revenues from the sale of residential lots and units reached ₱65.12 billion, 12% higher than ₱58.39 billion posted in the same period last year, driven by bookings and project completion across all residential brands.

Ayala Land Premier (ALP) registered revenues of ₱24.86 billion, slightly higher than the ₱23.40 billion posted in the same period in 2015 driven by higher bookings from projects such as Park Central Tower in Makati City and increased completion of residential buildings such as The Two Roxas Triangle and Garden Towers 1 & 2 in Ayala Center Makati, East and West Gallery Place in Bonifacio Global City, Arbor Lanes in Arca South, Taguig, and horizontal projects such as Riomonte and Soliento in Nuvali, Laguna and The Courtyards in Vermosa, Cavite.

Alveo meanwhile registered revenues of ₱18.57 billion, 29% higher than the ₱14.36 billion generated in the same period due to increased completion of residential towers such as Park Triangle Residences, One and Two Maridien and Two Serendra in Bonifacio Global City, Lerato Tower 3 and Kroma in Makati and Portico Tower 1 in Pasig and subdivision projects such as Lumira and Mondia in Nuvali, Laguna.

Avida recorded revenues of ₱17.07 billion, 16% higher compared to same period last year on the account of higher bookings from Avida Tower Sola 1 in Vertis North, Quezon City and One Union Place Tower 3 in Arca South, Taguig and increased completion of Vita Towers in Vertis North, Asten Towers in Makati, The Montane and Turf Tower 1 in Bonifacio Global City, Riala Tower 1 and 2 in Cebu IT Park, Avida Towers Davao and subdivision projects in Nuvali namely Hillcrest Estates and Southfield Settings.

Amaia posted revenues of ₱3.35 billion which is lower compared to same period in 2015 due to lower sales take-up from Amaia Scapes and Skies Projects.

BellaVita meanwhile significantly grew its revenues to ₱776.10 million, posting a 46% growth from ₱529.80 million last year due to higher bookings in General Trias Cavite, Alaminos Laguna, Tayabas Quezon, Cabanatuan City, Nueva Ecija and Cagayan De Oro City, Misamis Oriental.

Residential sales for 2016 reached a total of ₱108.00 billion, 3% higher year-on-year, equivalent to an average monthly sales take-up of ₱9.0 billion. Residential Gross Profit (GP) margins of vertical developments improved to 35% from 34% due to sale of higher margin projects such as Park Central Tower in Makati while horizontal projects slightly declined to 43% from 44% due to higher development and land cost of recently launched projects.

Revenues from the sale of office spaces reached ₱8.20 billion, posting a 28% growth from the ₱6.42 billion registered in the same period in 2015 driven by higher bookings from Alveo Financial Tower in Makati Central Business District, Alveo Park Triangle Tower and Alveo Park Triangle Corporate Plaza and higher completion of High Street South Corporate Plaza 1 and 2 in Bonifacio Global City. Avida's office projects in Bonifacio Global City also contributed significant revenues from higher bookings from Avida Capital House and higher completion of One Park Drive. Gross profit margins of offices for sale buildings declined to 37% from 38% during the same period last year.

Revenues from the sale of commercial and industrial lots doubled to ₱5.92 billion from ₱2.95 billion due to higher lot sales in Arca South, Naic and Altaraza in 2016. GP margins of Commercial and Industrial lots declined to 41% from 50% due to sale of higher margin commercial lots in Arca South and Nuvali in the same period last year.

Commercial Leasing. This includes shopping centers and office leasing as well as hotels and resorts operations. Total revenues from commercial leasing amounted to ₱26.56 billion in 2016, 8% higher than the ₱24.50 billion recorded in the same period last year.

Revenues from Shopping Centers reached ₱14.97 billion, 12% higher year-on-year from ₱13.37 billion due to the improved performance of stable malls and contribution of new malls such as UP Town Center in Quezon City, Ayala Malls Solenad in Nuvali, Santa Rosa Laguna, Tutuban Center, Manila, Ayala Malls Legazpi in Albay and the higher occupancy and average rental rates of existing malls. Shopping Centers EBITDA margin declined to 67% from 69% due to lower margins of newly opened malls. Monthly average lease rates registered 1% lower to ₱1,143 per square meter from ₱1,155 per square meter in the same period last year. Same mall rental growth increased by 5% year-on-year. Average occupancy rate registered at 91%. Total gross leasable area (GLA) of Shopping Centers registered at 1.62 million square meters for full year 2016.

Revenues from Office Leasing reached ₱5.54 billion, 7% higher year-on-year from ₱5.16 billion due to the higher average rental rates of existing buildings and the positive contribution of new offices such as Bonifacio Stopover, UP Technohub Building P and UP Town Center BPO in Quezon City. Office Leasing EBITDA margin improved to 91% from 90% last year. Monthly average lease rates of offices registered 4% higher to ₱725 per square meter from ₱698 per square meter in the same period last year. Average occupancy rate registered at 87%, 3% higher than previous year due to the completion of leased office spaces for tenant fit-out. Total gross leasable area (GLA) of Office Leasing registered at 836 thousand square meters for 2016.

Revenues from Hotels and Resorts reached ₱6.05 billion, 1% higher year-on-year from ₱5.97 billion due to the improved revenue-per-available-room (REVPAR) of hotel and resorts. REVPAR of hotels increased by 0.7% to ₱3,786 per night while REVPAR of resorts increased by 7% to ₱8,087 per night. Hotels and

Resorts EBITDA margin was at 28%. Average occupancy rate of Hotels registered at 73% while Resorts registered at 59% during the period. Hotels and Resorts currently operates 961 hotel rooms from its internationally branded segment; Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 213 island resort rooms from El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands in the province of Palawan, 30 bed and breakfast rooms in Casa Kalaw Lio El Nido and 6 bed and breakfast rooms from Balay Kogon Sicogon, Iloilo and 817 rooms from its Seda Hotels located in Iloilo, Bonifacio Global City, Taguig, Centrio Cagayan de Oro, Abreeza in Davao and Nuvali in Santa Rosa Laguna. Total rooms under the Hotels and Resorts portfolio registered at 2,027 as of December 31, 2016.

Services. This includes the Company's wholly-owned Construction and Property Management companies; respectively Makati Development Corporation and Ayala Property Management Corporation. Total revenues from the Services business amounted to P66.65 billion, 47% higher than the ₱45.25 billion reported in the same period in 2015.

Revenues from Construction reached ₱65.32 billion, 48% higher year-on-year from ₱44.07 billion due to the increase in order book of projects and higher completion within the Ayala Land Group. Revenues from Property Management reached ₱1.34 million, 14% higher year-on-year from ₱1.18 million due to the increase in managed properties from completed projects. Blended EBITDA margins of the Services businesses declined to 11% from 14%.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in net earnings of associates and JVs registered a 495% growth to ₱554 million in 2016 due higher net earnings from Modular Construction Technology (MCT) Bhd., Ortigas & Co. Ltd Partnership and Fort Bonifacio Development Corporation. Meanwhile, Interest, Investment and Other Income reached ₱6.37 billion, mainly due to higher interest income on accretion and installment sales.

Expenses

Total expenses registered at ₱91.97 billion in 2016, 16% higher than the ₱79.43 billion posted in the same period last year mainly driven by Real Estate and Hotels expenses which grew 17% to ₱76.57 billion from ₱65.34 billion last year.

General and Administrative Expenses (GAE) grew by 7% to ₱7.03 billion from ₱6.59 billion last year as a result of efficient cost management measures. GAE-to-revenue ratio further improved to 5.6% from 6.2% last year. Interest Expense, Financing and Other Charges meanwhile registered at ₱8.37 billion, 11% higher year-on year from ₱7.51 billion, mainly attributed to higher interest expense and a lower average interest rate of 4.49% compared to 4.71% during the previous year.

Project and Capital Expenditure

Ayala Land spent a total of ₱85.40 billion for project and capital expenditures in 2016. Of the total capital expenditure, 14% was spent on land acquisition, 5% was spent on the development of its estates, 43% was spent on the completion of residential projects and 30% was spent on commercial leasing projects with the rest of the amount disbursed for new businesses, services and other investments.

Financial Condition

Ayala Land posted a solid balance sheet position in 2016 which provides adequate capacity to support its growth plans in the coming years.

Cash and Cash Equivalents including short term investments and UITF investments classified as FVPL stood at ₱22.64 billion, resulting in a current ratio of 1.12:1. Total Borrowings stood at ₱159.80 billion as of December 31, 2016 from ₱130.99 billion as of December 2015, translating to a Debt-to-Equity Ratio of

0.93:1 and a Net Debt-to-Equity Ratio of 0.79:1. Return on Equity was at 14.9% as of December 31, 2016.

	End-December 2016	*End-December 2015*
Current ratio [1]	1.12:1	1.14:1
Debt-to-equity ratio [2]	0.93:1	0.87:1
Net debt-to-equity ratio [3]	0.79:1	0.74:1
Profitability Ratios:		
Return on assets [4]	5.0%	5.0%
Return on equity [5]	14.9%	14.7%
Asset to Equity ratio [6]	3.11	2.95
Interest Rate Coverage Ratio [7]	5.9	5.5

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Total Net income / average total assets
5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI
6 Total Assets /Total stockholders' equity
7 EBITDA/Interest expense

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2016.

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items – 2016 versus 2015

Real estate and hotel revenues increased by 17% mainly due to higher sales bookings and incremental project completion of residential projects and better performance of malls, leasing and hotels & resorts business groups.

Equity in net earnings of associates and joint ventures improved by 495% primarily due to higher equity from Malaysia (MCT-Modular Construction Technology) and China (Tianjin Eco-City Ayala) investments and contribution from Ortigas & Co. Ltd. Partnership and FBDC companies.

Real estate and hotel costs up by 17% due to higher costs coming from residential, malls, leasing and hotels & resorts business segments in 2016.

General and administrative expense higher by 7% primarily due to increase in contracted services, professional fees, insurance and repairs & maintenance.

Interest and other financing charges and other charges grew by 11% mainly due to the increased borrowings to finance various capital expenditures.

Provision for income tax increased by 20% largely due to higher taxable income mainly from real estate.

Balance Sheet items – 2016 versus 2015

Cash and cash equivalents improved by 10% largely due to bond issuance and loan availments made and the impact of the consolidation of POPI and Anvaya entities in 2016.

Short term investments up by 26% primarily due to additional money market placements and the impact of the consolidation of Anvaya companies in 2016.

Financial assets at fair value through profit or loss higher by 168% due to BG West, NUVALI companies, POPI, and APMC's UITF investment placements.

Accounts and notes receivables increased by 50% mainly due to higher sales and additional bookings from residential business group projects (subdivision, condominium, house & lot, and office building for sale) and improved performance of malls, leasing, and hotels & resorts business segments and increase in advances to contractors.

Real estate Inventories increased by 13% primarily due to new project launches of residential projects and incremental completion of the existing projects.

Other current assets up by 8% due to the increase in prepaid expenses and current project costs.

Non-current accounts and notes receivable decline by 15% largely due to the sale of real estate receivables on a without recourse basis, and contribution from decrease in advances to other companies.

Land and improvements increased by 9% primarily due to the consolidation of Prow Holdings, Inc. and additional acquisition of land parcels for future development.

Investments in associates and joint ventures higher by 43% due to the investments made with OCLP Holdings and ALI Eton and share in equity for full year 2016.

Investment properties up by 34% primarily due to the additional project costs on new & existing malls, buildings for lease and hotels and contribution from additional land acquisitions.

Available-for-sale financial assets improved by 177% due to Alviera country club share, Cebu City Sports Club and contribution from POPI.

Property and equipment higher by 9% largely due to increase in MDC's additional batching plants, machineries and equipments in response to capacity requirements brought about by new projects/contracts.

Deferred tax assets increased by 25% primarily due to higher deferred tax assets mainly from residential group's tax effect of temporary difference arising from sale and collection on booked accounts and contribution from PAS Straight-line recognition of revenue per Accounting Standard vs BIR computation.

Other non-current assets up by 66% largely due to the increase in leasehold rights on the acquisition of Prime Orion Philippines, Inc., and increase in prepaid costs incurred for the unlaunched projects.

Account and other payables increased by 24% due to higher expenses related to the development and project costs of new and existing projects of the residential, commercial, hotels & resorts business group and contribution from the increase in accrued expenses, interest payable, taxes payable and higher payables to external suppliers/contractors due to increased volume of construction projects for ALI.

Short-term debt 131% increased primarily due to additional short-term unsecured peso denominated bank loan availments.

Income tax payable higher by 15% mainly due to higher taxable income from real estate.

Deposit and other current liabilities up by 40% due to the increase in advances and deposits for various residential projects.

Current portion of long-term debt decreased by 41% mainly due to loan payments made.

Deferred tax liabilities higher by 144% primarily due to POPI's stepped-up value based from purchase price allocation.

Long-term debt - net of current portion increased by 17% largely due to ALI's bond issuance amounting to ₱25B.

Deposits and other noncurrent liabilities grew by 25% due to higher non-current security deposits from residential customers and contribution from leasing group's increase in security deposits, reservations and advance rental deposits.

Non-controlling interest up by 55% mainly due to the increase in non-controlling interest's share in full year 2016 NIAT and contribution from NCI share of Prow Holdings, Nuevo Centro, Aviana, POPI and BG companies.

Review of 2015 operations vs. 2014

Ayala Land, Inc. (ALI or "the Company") generated a net income after tax (attributable to equity holders of ALI) of ₱17.63 billion in 2015, 19% higher than the ₱14.80 billion posted in 2014. Consolidated revenues reached P107.18 billion, 13% higher than the ₱P95.20 billion posted in the same period last year. Revenues from Real Estate increased by 13% to ₱100.66 billion driven by the steady performance of its Property Development, Commercial Leasing and Services businesses.

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 6.2% from 6.5%while the Earnings before interest and taxes (EBIT) margin registered higher at 29% from 27% during the same period last year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development. This includes the sale of residential lots and units, office spaces, as well as commercial and industrial Lots. Total revenues from Property Development amounted to ₱67.77 billion in 2015, 10% higher than the ₱61.84 billion reported during the same period in 2014.

Revenues from the sale of residential lots and units reached ₱58.39 billion, 12% higher than the ₱52.26 billion posted in the same period last year, driven by bookings and project completion across all residential brands.

Ayala Land Premier (ALP) registered revenues of ₱23.40 billion, slightly higher than the ₱22.49 billion posted in the same period in 2014 driven by higher bookings in West Gallery Place in Bonifacio Global City and Riomonte in Nuvali, Laguna and increased project completion of The Courtyards in Vermosa, Cavite and high-end residential building projects such as the Two Roxas Triangle and Garden Tower 2 in Ayala Center Makati, The Suites and East Gallery Place in Bonifacio Global City Taguig and Park Point Residences in Cebu.

Alveo meanwhile registered revenues of ₱14.36 billion, 31% higher than the ₱10.99 billion generated in the same period last year brought about by higher bookings and completion of subdivision projects such as Lumira and Mondia in Nuvali, Santa Rosa Laguna and Montala in Alviera, Porac Pampanga and condominium projects namely Kroma in Makati, Veranda Tower 1 in Arca South, Taguig, Verve Residences 1, Park Triangle Residences and Two Maridien in Bonifacio Global City, Taguig and Solinea Tower 1 and 3 in Cebu.

Avida and Amaia likewise recorded growth, with Avida reaching ₱14.74 billion in revenues, or 12% higher compared to same period last year and Amaia registering revenues of P3.91 billion, or 8% higher compared to same period in 2014. The increased bookings of Avida Settings in Alviera and One Union Place 1 and 2 in Arca South combined with higher project completion of Vita Towers in Vertis North, Verte Tower 1 and The Montane in Bonifacio Global City, contributed to the increase in revenues of Avida while Amaia's major contributors are Steps Nuvali, Steps Altaraza in San Jose Del Monte Bulacan and Scapes General Trias, Cavite.

BellaVita meanwhile grew its revenues to ₱529.80 million, posting more than triple growth from ₱115.60 million last year due to higher bookings from projects in General Trias Cavite, Alaminos Laguna, Tayabas Quezon, Porac Pampanga and Cabanatuan City, Nueva Ecija.

Residential sales for 2015 reached a total of ₱105.34 billion, 4% higher year-on-year, equivalent to an average monthly sales take-up of P8.8 billion. Residential Gross Profit (GP) margins of horizontal projects improved to 44% from 43% due to the sale of higher margin projects of Alveo such as Lumira, Mirala and Mondia in Nuvali while gross profit margins of vertical developments also improved to 34% from 33%.

Revenues from the sale of office spaces reached ₱6.42 billion, posting a 32% growth from the ₱4.86 billion registered in the same period in 2014 driven by bookings from Alveo Financial Tower in Makati CBD and The Stiles in Circuit Makati, higher completion of Alveo's projects such as High Street South Corporate Plaza 1 and 2 and Park Triangle Corporate Plaza and higher sales from Avida projects such as Capital House and One Park Drive in Bonifacio Global City. Gross profit margins of offices for sale buildings are maintained at 38% during the same period last year.

Revenues from the sale of commercial and industrial lots reached ₱2.74 billion, 42% lower year-on-year from P4.68 billion due to higher lot sales in Nuvali and Arca South in 2014. GP margins of Commercial and Industrial lots improved to 50% from 45% due to sale of higher margin commercial lots in Arca South, Nuvali and Westborough Park.

Commercial Leasing. This includes shopping centers and office leasing as well as hotels and resorts operations. Total revenues from commercial leasing amounted to ₱24.50 billion in 2015, 16% higher than the ₱21.21 billion recorded in the same period last year.

Revenues from Shopping Centers reached ₱13.37 billion, 18% higher year-on-year from ₱11.36 billion due to the improved performance of Fairview Terraces and UP Town Center and the higher occupancy and average rental rates of existing malls. Shopping Centers EBITDA margin improved to 69% from 65%. Monthly average lease rates registered 1% higher to P1,155 per square meter from ₱1,146 per square meter in the same period last year. Same store sales grew 3% year on year while same mall rental growth increased by 8% year-on-year. Average occupancy rate registered at 94%. Total gross leasable area (GLA) of Shopping Centers registered at 1.45 million square meters for full year 2015.

Revenues from Office Leasing reached ₱5.16 billion, 22% higher year-on-year from ₱4.23 billion due to the higher occupancy and average rental rates of existing buildings and the positive contribution of new offices. Office Leasing EBITDA margin improved to 90% from 87%. Monthly average lease rates of offices registered 3% higher to ₱698 per square meter from ₱676 per square meter in the same period last year. Average occupancy rate registered at 84% due to the completion of leased office spaces for tenant fit-out. Total gross leasable area (GLA) of Office Leasing registered at 715 thousand square meters for 2015.

Revenues from Hotels and Resorts reached ₱5.97 billion, 6% higher year-on-year from ₱5.62 billion due to the improved revenue-per-available-room (REVPAR) of Fairmont Hotel and the Raffles Residences in Ayala Center Makati, Marriott in Cebu Business Park, SEDA hotels in Bonifacio Global City, Cagayan de Oro, Davao and Nuvali, El Nido Resorts in Palawan and opening of SEDA hotel in Iloilo. REVPAR of hotels increased by 1% to ₱3,888 per night while REVPAR of resorts increased by 13% to ₱7,557 per night. Hotels and Resorts EBITDA margin was at 28%. Average occupancy rate of Hotels registered at 73% while Resorts registered at 58% during the period. Hotels and Resorts currently operates 1,294 hotel rooms from its internationally branded segment; Hotel InterContinental Manila, Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 213 island resort rooms from El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands in the province of Palawan and 817 rooms from its Seda Hotels located in Iloilo, Bonifacio Global City, Taguig, Centrio Cagayan de Oro, Abreeza in Davao and Nuvali in Santa Rosa Laguna. Total rooms under the Hotels and Resorts portfolio registered at 2,324 as of December 31, 2015.

Services. This includes the Company's wholly-owned Construction and Property Management companies; respectively Makati Development Corporation and Ayala Property Management Corporation. Total revenues from the Services business amounted to ₱45.25 billion, 52% higher than the P29.80 billion reported in the same period in 2014.

Revenues from Construction reached ₱44.07 billion, 53% higher year-on-year from ₱28.76 billion due to the increase in order book of projects within the Ayala Land Group. Revenues from Property Management reached ₱1.18 million, 14% higher year-on-year from P1.03 million due to the increase in managed properties from completed projects. Blended EBITDA margins of the Services businesses improved to 14% from 11%.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in net earnings of associates and JVs registered a loss of P140 million in 2015 due to the lower net earnings of Fort Bonifacio Development Corporation attributed to the lower inventory of commercial lots and startup costs from new businesses. Meanwhile, Interest, Investment and Other Income reached P6.66 billion, mainly due to higher interest income on accretion and installment sales.

Expenses

Total expenses registered at ₱79.43 billion in 2015, 11% higher than the ₱71.34 billion posted in the same period last year mainly driven by Real Estate and Hotels expenses which grew 10% to ₱65.34 billion from ₱59.40 billion last year.

General and Administrative Expenses (GAE) grew by 6% to P6.59 billion from ₱6.20 billion last year as a result of efficient cost management measures. GAE-to-revenue ratio further improved to 6.2% from 6.5% last year. Interest Expense, Financing and Other Charges meanwhile registered at ₱7.51 billion, 31% higher year-on year from ₱5.74 billion, mainly attributed to higher interest expense and a higher average interest rate of 4.71% compared to 4.49% during the previous year.

Project and Capital Expenditure

Ayala Land spent a total of ₱82.20 billion for project and capital expenditures in 2015. Of the total capital expenditure, 28% was spent on land acquisition, 4% was spent on the development of its estates, 40% was spent on the completion of residential projects and 21% was spent on commercial leasing projects with the rest of the amount disbursed for new businesses, services and other investments.

Financial Condition

Ayala Land posted a solid balance sheet position in 2015 which provides adequate capacity to support its growth plans in the coming years.

Cash and Cash Equivalents including short term investments and UITF investments classified as FVPL stood at P19.54 billion, resulting in a current ratio of 1.14:1. Total Borrowings stood at ₱130.99 billion as of December 31, 2015 from ₱124.67 billion as of December 2014, translating to a Debt-to-Equity Ratio of 0.87:1 and a Net Debt-to-Equity Ratio of 0.74:1. Return on Equity was at 14.7% as of December 31, 2015.

	End-December 2015	*End-December 2014*
Current ratio [1]	1.14:1	1.23:1

Debt-to-equity ratio [2]	0.87:1	1.02:1
Net debt-to-equity ratio [3]	0.74:1	0.74:1
Profitability Ratios:		
Return on assets [4]	5.0%	5.0%
Return on equity [5]	14.7%	14.4%
Asset to Equity ratio [6]	2.95	3.19
Interest Rate Coverage Ratio [7]	5.5	5.7

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity attributable to equity holders of ALI (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity attributable to equity holders of ALI (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Total Net income / average total assets
5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI
6 Total Assets /Total stockholders' equity
7 EBITDA/Interest expense

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2015.

Material changes (+/- 5% or more) in the financial statements

Income Statement items – 2015 versus 2014

Real estate revenues increased by 13% primarily due to higher sales bookings and incremental completion of residential projects and improved performance of the leasing business segments.

Equity in net earnings of associates and joint ventures decreased by 122% mainly due to lower equity from FBDC companies given absences of commercial lot sales.

Interest and investment income were up by 24% due to higher accretion income on installment sales and contribution from higher interest income derived from money market placements and advances to other companies.

Real estate costs increased by 10% primarily due to higher real estate revenues arising from higher contribution of residential and leasing business.

General Administrative Expenses was up by 6% due to increase in compensation & benefits related expenses

Interest Expense, Financing and Other Charges increased by 31% due to higher borrowings to finance various capital expenditures and provisions made for possible losses and impairments.

Provision for Income Tax was up by 12% because of higher taxable income mainly from real estate business.

Net Income attributable to Non-Controlling Interests increased by 12% due to the higher contribution from BG Companies

<u>Balance Sheet items</u> – 2015 versus 2014

Cash and Cash Equivalents was lower by 33% due to the payment of various land acquisitions and investments in Regent Wise.

Short term investments decresed by 45% primarily due to the maturity of investment placements

Fair value through profit or loss financial asset down by 88% due to the maturity of UITF placements that are not renewed.

Accounts and Notes Receivables (net) increased by 11% mainly because of higher sales and additional bookings from residential business group projects (subdivision, condominium and office for sale).

Real Estate Inventories up by 23% due to new launches of residential projects.

Non-Current Accounts and Notes Receivable higher by 31% due to additional bookings and increased sales from newly launched and existing residential projects (subdivision, condominium and office for sale).

Land and Improvements increased by 16% due to land development works on new acquisition of land parcels.

Available-For-Sale Financial Assets lower by 36% due to the sale of SSI's twenty one million shares of AFS investment.

Investments in Associates and Joint Ventures up by 60% due to the additional equity infusion to Regent Wise for the acquisition of shares in Modular Construction Technology (MCT) Bhd in Malaysia.

Investment Properties higher by 19% due to additional project costs of malls and office buildings and contribution of additional land acquisition.

Property and equipment up by 29% mainly due to MDC's additional batching plants, additional CAPEX for projects and newly acquired assets for new projects and Phil. Energy's purchase of chillers and installation of district cooling system (DCS) in malls.

Deferred Tax Assets was higher by 23% because of higher deferred tax assets mainly from residential group's tax effect of temporary difference arising from sale and collection on booked accounts.

Other Non-Current Assets increased by 67% due to additional acquisition of land parcels for future development.

Account and Other Payables were up by 14% because of the higher project cost on the development of existing and new projects, higher payable to suppliers, accrued expenses and taxes payable.

Short-Term Debt was down by 36% due to bank loan repayments of ALI subsidiaries.

Income Tax Payable was higher by 98% because of higher taxable income for the period and provision of income tax.

Customers & Tenant's Deposit dropped by 32% due to due to lower deposits for projects.

Current Portion of Long-Term Debt was up by 74% due to additional loan of ALI and subsidiaries.

Deferred Tax Liabilities was lower by 9% coming from the recognition of deferred tax liabilities for the uncollected receivables from Residential development.

Pension Liability decreased by 5% due to lower recognized liability on employee benefits.

Long-Term Debt increased by 8% due to increase in loan amount of ALI and subsidiaries.

Deposits and Other Noncurrent Liabilities was higher by 23% because of higher non-current security deposits from residential customers and new tenants for offices and increased retention payable.

Capital Stock was up by 36% due to ALI's Equity top up placement in January 2015.

Non-Controlling Interest was higher by 7% due to increase in 2015 year-to-date NIAT share of non-controlling interest.

Risks

Ayala Land is subject to significant competition in each of its principal businesses of property development, commercial leasing and services. In property development, Ayala Land competes with other developers to attract condominium and house and lot buyers. In commercial leasing, it competes for shopping center and office space tenants, as well as customers of the retail outlets, restaurants, and hotels and resorts across the country.

However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

High-End, Middle-Income, Affordable Residential, and Economic and Socialized Housing Developments

With respect to high-end and middle-income land and condominium sales, Ayala Land competes for buyers primarily on the basis of reputation, reliability, price, quality, and the location of the community in which the relevant site is located. For the affordable, economic and socialized housing markets, Ayala Land competes for buyers based on quality of projects, affordability of units and availability of in-house financing. Ayala Land is also actively tapping the overseas Filipino market. In addition it has seen demand from foreign buyers both residing in the country and abroad.

Shopping Center, Office Space and Land Rental

For its shopping centers, Ayala Land competes for tenants primarily based on the ability of the shopping center to attract customers. This is typically hinged on the location and the tenant-mix of the retail center, the reputation of the retail center owner, as well as rental and other charges. The market for shopping centers has become competitive and with the growing number of pipeline and new shopping center openings across the country. Some competing shopping centers are located within relatively close proximity of Ayala Land's commercial centers.

With respect to its office rental properties, Ayala Land competes for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. The Company is addressing the continuing demand from BPOs and corporate by providing fully integrated and well maintained developments (high rise or campus facility) in key locations in the country.

Hotel and Resort Operations

The local hotel and resort sector is largely driven by foreign and local travel for leisure or business purposes. Any slowdown in tourism and business activity due to global financial and local political turmoil and security concerns could potentially limit growth of the Company's hotels and resorts.

Construction

Ayala Land's construction business is benefiting from the improved performance of the construction industry, particularly from an uptick in development activities mostly from the residential and retail sector. With booming construction across the country, Ayala Land must manage the risk of providing enough skilled workers to deploy to its various projects. Any slowdown in the construction business could potentially cap growth of the Company's construction arm.

Property Management

Ayala Land directly manages its properties as well as other third-party properties through Ayala Property Management Corporation. Its employees directly interface with customers and must ensure that Ayala Land's brand, quality and reputation are upheld in the regular upkeep of managed properties. Employees must continuously be trained to be able to provide high-quality service in order to preserve Ayala Land's brand equity.

Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates happening at a swift pace
- Changes in the value of the Peso
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country's liquidity and credit exposures

To mitigate the above mentioned risks, Ayala Land shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

Item 7. Financial Statements

The 2017 consolidated financial statements of the Company are incorporated in the accompanying Index to Exhibits.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

(a) The principal accountant and external auditor of the Company is SyCip Gorres Velayo & Co. (SGV & Co.). The same accounting firm is being recommended for re-election at the annual stockholders' meeting.

(b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Ms. Lucy L. Chan has been the Partner-in-charge since audit year 2016.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosure.

(c) **Audit and Audit-Related Fees**

ALI and its subsidiaries paid its external auditor the following fees in the past two years: (in Php million; with VAT)

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2017	29.33*	-	13.76**
2016	26.87*	-	9.07**

** Pertains to audit fees.*
***SGV fees for the validation of stockholders' votes during the annual stockholders' meeting and other assurance fees.*

(d) **Tax Fees**

Tax consultancy services are secured from entities other than the external auditor.

Under paragraph 3.3 a of the ALI Audit Committee Charter, the Audit Committee (composed of Jaime C. Laya, Chairman, Rizalina G. Mantaring, and Antonino T. Aquino, members) recommends to the Board the appointment of the external auditor and the audit fees.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant

The write-ups below include positions held as of December 31, 2017 and in the past five years, and personal data as of December 31, 2017 of directors and executive officers.

Board of Directors

Fernando Zobel de Ayala
Jaime Augusto Zobel de Ayala
Bernard Vincent O. Dy
Antonino T. Aquino
Arturo G. Corpuz
Angela E. Ignacio
Delfin L. Lazaro
Jaime C. Laya
Rizalina G. Mantaring

Fernando Zobel de Ayala, Filipino, 57, has served as Chairman of the Board of ALI since April 1999. He holds the following positions in publicly listed companies: President and Chief Operating Officer of Ayala Corporation; Chairman of Manila Water Company, Inc.; Director of Bank of The Philippine Islands, Globe Telecom, Inc. and Integrated Micro-Electronics, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., AC Industrial Technology Holdings, Inc., Liontide Holdings, Inc., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of ALI Eton Property Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc. and Bonifacio Art Foundation, Inc.; Director of LiveIt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., AC Education, Inc. and AC Ventures Holding Corp. Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula; Member of the Philippine-Singapore Business Council, INSEAD East Asia Council, World Presidents' Organization; and Chief Executives Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Jaime Augusto Zobel de Ayala, Filipino, 58, has served as a Director, Vice Chairman and Member of the Executive Committee of ALI since June 1988. He holds the foll
owing positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Manila Water Company, Inc. He is also the Chairman of AC Education, Inc., Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Limited; Chairman of Harvard Business School Asia-Pacific Advisory Board and Endeavor Philippines; and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, Global Board of Advisors of the Council on Foreign Relations, Asia Society International Council, University of Tokyo Global Advisory Board, Singapore Management University Board of Trustees, and Eisenhower Fellowships Board of Trustees. He was the Philippine Representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council from 2010 to December 2015. In 2007, he received the Harvard Business School Alumni Achievement

Award, the school's highest recognition. He was a recipient of the Presidential Medal of Merit in 2009 for enhancing the prestige and honor of the Philippines both at home and abroad. In 2010, he was bestowed the Philippine Legion of Honor, with rank of Grand Commander, by the President of the Philippines in recognition of his outstanding public service. In 2015, he received the Order of Mabini with rank of Commander, for his vital contributions during the Philippines' hosting of the Asia Pacific Economic Cooperation (APEC) Summit. He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business Administration in 1987.

Bernard Vincent O. Dy, Filipino, 54, is the President and Chief Executive Officer of Ayala Land, Inc. effective April 7, 2014. Prior to this post, he was the Head of the Residential Business, Commercial Business and Corporate Marketing and Sales. He also holds the following positions in four other publicly listed companies namely: Chairman of Prime Orion Philippines, Inc.; Director Cebu Holdings, Inc., Cebu Property Ventures and Development Corporation, and MCT Bhd of Malaysia. His other significant positions include: Chairman of Ayala Property Management Corporation, Makati Development Corporation, Amaia Land Corporation, AyalaLand Commercial Reit, Inc., Bellavita Land Corporation, Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corp. and Philippine Integrated Energy Solutions, Inc. He is also Vice Chairman of Ayalaland Estates, Inc., Ayala Greenfield Development Corporation, Alviera Country Club, Inc.; Director and President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Alabang Commercial Corporation and Accendo Commercial Corp.; Director of Alveo Land Corp., Amicassa Process Solutions, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Serendra, Inc., Alveo-Federal Land Communities, Inc., ALI Eton Property Development Corporation and Nuevocentro, Inc.; Member of Ayala Foundation, Inc. and Ayala Group Club, Inc. He is also the President of the Hero Foundation Incorporated and the Bonifacio Art Foundation, Inc. In 2015, he was inducted as member of the Advisory Council of the National Advisory Group for the Police Transformation Development of the Philippine National Police. He is a Director of the Junior Golf Foundation of the Philippines since 2010 and was appointed Vice Chairman beginning 2017. He earned a Bachelor's Degree in Business Administration from the University of Notre Dame in 1985. He also received his MBA in 1989 and MA International Relations in 1997, both from the University of Chicago.

Antonino T. Aquino*,* Filipino, 70, has served as Director of ALI since April 2009. He is also a Director of Manila Water Company, Inc. (MWC), another publicly listed company, since 1998. He was the President of ALI from April 2009 to April 2014, MWC from April 1999 to April 2009, and Ayala Property Management Corporation from 1989 to 1999. Currently, he is a Board member of Nuevocentro, Inc., Anvaya Beach & Nature Club and Mano Amiga Academy, Inc. He is also a private sector representative in the Multi Sectoral Advisory Board of the Philippine Army and the Multi Sector Governance Council of the Armed Forces of the Philippines and the Department of National Defense. He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership. In 2015, Mr. Aquino was elected as Director of The Philippine American Life and General Insurance Company (Philam). He earned a degree in BS Management and completed academic requirements for Masters in Business from the Ateneo de Manila University in 1968 and 1975, respectively.

Arturo G. Corpuz, Filipino, 62, has served as a Director of ALI since April 2016. He was a member of the Management Committee of ALI from 2008 to December 31, 2016. He is also a member of the Board of Ceci Realty, Inc. Aurora Properties, Inc., Vesta Properties Holdings, Inc., Nuevocentro, Inc., Next Urban Alliance Development Corp. and Alviera Country Club, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning. Mr. Corpuz received his baccalaureate degree in Architecture from the University of the Philippines in 1977 and his masteral and doctoral degrees in urban and regional planning from Cornell University in 1984 and 1989.

Ma. Angela E. Ignacio*,* Filipino, 45, has been an Independent Director of ALI since April 19, 2017. She is also the Executive Vice President of R.A. Ignacio Construction Corporation and the Managing Director for Corporate Advisory for Avisez Asia, Inc. She is a fellow of the Institute of Corporate Directors. She is also a Director of ESNA Financing & Investment Corp., ESNA Realty Corp., and ESNA Holdings; and Director and Vice President of Polestrom Consulting, Inc. She is a Certified Finance and Treasury Professional in Australia and a Member of the Finance and Treasury Association of Australia. She was an International Consultant for The World Bank's Public Financial Management Assistance Program in Vietnam for the oversight of state owned enterprises and the Infrastructure Sector Assessment Program (InfraSAP) SOE Mission in Indonesia. She served as a Commissioner of the Governance Commission for Government-Owned or Controlled Corporations ("GCG") with a rank of Undersecretary from November 2011 to June 2016. Prior to her appointment as GCG member, she served as Vice President under the Office of the Board Chairman at the Philippine Deposit Insurance Corporation and also served concurrently as Special Assistant for Corporate Affairs and Management Information Systems to the Secretary of the Department of Finance ("DOF") from September 2010 to October 2011. She was a Director of the United Coconut Planters Bank where she was also a member of the Executive, Risk Management and Compensation and Benefits Committees; and a Director of UCPB Savings Bank and UCPB Securities. She obtained her double degree in Applied Economics and Commerce, major in Management of Financial Institutions from De La Salle University in 1994 where she was awarded Best Thesis by the Economics Department for her work on Financial Distress Prediction Models in the Philippines. She earned a Master's Degree in Applied Finance from the University of Melbourne in 2000.

Delfin L. Lazaro, Filipino, 71, has served as a member of the Board of ALI since May 1996. He holds the following positions in publicly listed companies: Director of Ayala Corporation, Integrated Micro-Electronics, Inc., Manila Water Company, Inc., and Globe Telecom, Inc. His other significant positions are: Chairman of Atlas Fertilizer & Chemicals Inc.; Director and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; and Director of AYC Holdings, Ltd. andProbe Productions, Inc. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Jaime C. Laya*,* Filipino, 78, has served as an Independent Director of ALI since April 2010. He is member of the Board of Directors of publicly listed companies, being Independent Director of GMA Network, Inc., GMA Holdings, Inc. and Manila Water Company, Inc. and Regular Director of Philippine Trust Company (Philtrust Bank). His other significant positions are: Chairman and President of Philtrust Bank, Independent Director of Philippine AXA Life Insurance Co., Inc. and of Charter Ping An Insurance Corporation; and Trustee of Cultural Center of the Philippines, St. Paul's University – Quezon City, Ayala Foundation, Inc., Escuela Taller de Filipinas Foundation, Inc., Fundación Santiago, and other non-profit, non-stock corporations. He graduated magna cum laude from University of the Philippines in 1957 with a degree in B.S.B.A. (Accounting) and completed his M.S. in Industrial Management at Georgia Institute of Technology in 1960 and his Ph.D. in Financial Management at Stanford University in1967. He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines, Chairman of the National Commission for Culture and the Arts, and Professor and Dean of Business Administration of the University of the Philippines.

Rizalina G. Mantaring, Filipino, 58, has been serving as an Independent Director of ALI since April 2014. Concurrently, she also holds the following positions: CEO and Country Head of the Sun Life Financial group of companies in the Philippines; Director of Sun Life of Canada (Philippines) Inc., Sun Life Financial Plans, Sun Life Asset Management Co. Inc., Sun Life Financial Philippine Holding Co. Inc., Sun Life Grepa Financial, Inc., and Grepalife Asset Management Corporation; and Independent Director of First Philippine Holdings, Corp., Microventures Foundation Inc., and Phil. Business for Education, Inc. The Chairman of Sun Life Financial-Philippines Foundation, Inc. She is also a member of the Makati Business Club Board of Trustees, Management Association of the Philippines Board of Governors, and Financial Executives of the Philippines. A recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network CNBC, she has also been recognized by the International Association of Business Communicators (Philippines) with the CEO Excel award, was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance, and was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the

Philippines College of Engineering. She holds a BS Electrical Engineering degree from the University of the Philippines where she graduated with honors. She obtained her MS degree in Computer Science from the State University of New York at Albany.

Nominees to the Board of Directors for election at the stockholders' meeting:

All incumbent directors, except Ms. Ignacio.

Cesar V. Purisima, Filipino, 57, is an Asia Fellow at the Milken Institute. He is also the Chairman of the Advisory Council of The Asian Entrepreneur Legacy (TAEL) Partners; Independent Director of AIA Group Limited; Executive-in-Residence of the Asian Institute of Management; Member of the Boards of Trustees of International School, Manila and De La Salle University; Member of International Advisory Council (Phils.), Singapore Management University; and Advisor of the Partners Group AG LIFE Council. He served the Philippine Government as a Secretary of Finance from February 2005 to July 2005 and from July 2010 to June 2016. As Secretary of Finance, he also served as a member of the Monetary Board of the Bangko Sentral ng Pilipinas, Governor for the Philippines of the World Bank Group and Asian Development Bank; and Chairman of various public finance sectors. He was also the Head of the Cabinet Economic Development Cluster of the Philippines from July 2010 to June 2016. He also served as the Secretary of the Department of Trade and Industry from January 2004 to February 20015. He was also the Alternate Governor for the International Monetary Fund. Prior to his stint in the government service, he was the Chairman & Country Managing Partner of SGV & Co., and was a member of the Global Executive Board and Global Practice Council of Ernst & Young. Mr. Purisima obtained his Bachelor of Science degree in Commerce Major in Accounting and Financial Institutions from De La Salle University in 1979 and was among the top placers in the 1979 CPA Board Examination. He earned his Master of Business Administration degree from Kellogg School of Management, Northwestern University, Illinois in 1983 and was conferred the Doctor of Humanities Honoris Causa by Angeles University in 2012.

Management Committee Members / Key Executive Officers

Bernard Vincent O. Dy*	President and Chief Executive Officer
Dante M. Abando	Senior Vice President
Augusto D. Bengzon	Senior Vice President**, Chief Finance Officer, Treasurer, & Chief Compliance Officer
Anna Ma. Margarita B. Dy	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Robert S. Lao	Senior Vice President
Jaime E. Ysmael	Senior Vice President
Lyle A. Abadia	Vice President
Leovigildo D. Abot	Vice President
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Ruby P. Chiong	Vice President
Myrna Lynne C. Fernandez	Vice President
Dindo R. Fernando	Vice President
Javier D. Hernandez	Vice President
Joseph Carmichael Z. Jugo**	Vice President
Michael Alexis C. Legaspi	Vice President
Christopher B. Maglanoc	Vice President
Romeo T. Menpin, Jr.	Vice President
Carol T. Mills	Vice President
William Thomas F. Mirasol	Vice President
Rodelito J. Ocampo	Vice President
Ginaflor C. Oris	Vice President
Angelica L. Salvador	Vice President
Eliezer C. Tanlapco	Vice President
Maria Rowena Victoria M. Tomeldan	Vice President

Jennylle S. Tupaz	Vice President
Solomon M. Hermosura	Group General Counsel & Corporate Secretary

**Member of the Board, **Effective January 01, 2018*

Dante M. Abando, Filipino, 53, is a Senior Vice President and Member of the Management Committee of ALI. He is concurrently the President of Makati Development Corporation (MDC) and is also a member of MDC's Board of Directors. He is currently the Chairman of MDC BuildPlus, Inc. and Chairman and President of MDC Concrete, Inc., MDC Equipment Solutions, Inc. and MDBI, a joint venture of MDC and Bouygues Batiment International. He was the past President and Board Member of Alveo Land Corporation. He is currently a Board Member of Avida Land Corporation, Serendra, Inc. and Anvaya Cove Golf & Sports Club, Inc. Since 2014, he has been a member of the Board of Trustees of the Philippine Constructors Association (PCA) and its subsidiaries and is currently its Chairman and President. Dan has also been a member of the Board of Trustees of the University of the Philippines Alumni Engineers (UPAE) since 2015. He graduated with a degree in Bachelor of Science in Civil Engineering from the University of the Philippines in 1986 and earned his Master's degree in Business Administration in 1995 from the same university. In 2012, he completed the Executive Program on Real Estate Management at Harvard University Graduate School of Design.

Augusto D. Bengzon, Filipino, 54, joined ALI in December 2004 and currently serves as its Senior Vice President, Chief Finance Officer, Chief Information Officer, Chief Compliance Officer & Treasurer. He is a Director of two publicly listed company namely Cebu Holdings Inc. and Prime Orion Philippines Inc. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc.; Vice Chairman of CMPI Holdings Inc.; Director, Treasurer & Compliance Officer of Anvaya Cove Golf and Sports Club Inc.; Director & President of CMPI Land Inc.; Director & Assistant Treasurer of Ayala Greenfield Development Corp.; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Ayala Property Management Corp., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWest Properties Inc., Ceci Realty Inc., Next Urban Alliance Development Corp., Philippine Integrated Energy Solutions Inc. and Vesta Property Holdings Inc.; Director of ALINet.Com Inc., Alviera Country Club Inc., Ayala Land Commercial Reit Inc., Ecozone Power Management Inc., Laguna Technopark Inc., Makati Development Corp., Nuevocentro Inc. and AG Counselors Corporation; Treasurer of Avida Land Corp., Cebu Property Ventures and Development Corp., Hero Foundation Inc. and Roxas Land Corp. Prior to joining ALI, he was Vice President and Credit Officer at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Corporate Finance and Relationship Management. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Master's in Business Management degree.

Anna Ma. Margarita B. Dy, Filipino, 48, is a Senior Vice President since January 1, 2015 and a member of the Management Committee of Ayala Land, Inc. since August 2008. She is the Head of the Strategic Landbank Management (SLMG) of ALI. She is also a director of Cebu Holdings, Inc. one of the publicly listed subsidiaries of ALI. Her other significant positions are: Director of Cebu Property Ventures Dev't. Corp., Director and Executive Vice President of Fort Bonifacio Development Corporation; Director and President of Nuevocentro, Inc., and Alviera Country Club, Inc; Director of Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc., AyalaLand Medical Facilities Leasing, Inc., Director of Anvaya and Next Urban Alliance Development Corp. Prior to joining ALI, she was a Vice President of Benpres Holdings Corporation. She graduated magna cum laude from Ateneo De Manila University with BS of Arts Degree in Economics Honors Program. She earned her Master's degree in Economics from London School of Economics and Political Science UK 1991 and MBA at Harvard Graduate School of Business Administration in Boston.

Jose Emmanuel H. Jalandoni, Filipino, 50, is a Senior Vice President and a member of the Management Committee of Ayala Land, Inc. He is the Group Head of commercial businesses including malls, offices, hotels, resorts and the Chairman of ALI Capital Corp. He is a director of Cebu Holdings, Inc. and Prime Orion Philippines, Inc., publicly listed subsidiaries of ALI. His other significant positions are: Chairman of the Board of AyalaLand Offices, AyalaLand Hotels and Resorts Corporation, ALI Commercial Center, Inc., Arca South Integrated Terminal Inc., Arvo Commercial Corporation, Bacuit Bay Development Corporation, Bonifacio Hotel Ventures, Inc., Cebu Insular Hotel Company, Inc., Central Block Developers, Inc., Chirica Resorts Corporation, Direct Power Services, Inc., Ecoholdings Company, Inc., Laguna Technopark, Inc., Lio Resort Ventures, Inc., North Liberty Resort Ventures, Inc., North Triangle Depot Commercial Corporation, Pangulasian Island Resort Corp., Paragua Eco-Resort Ventures, Inc., Sicogon Town Hotel, Inc., Ten Knots Development Corporation, Ten Knots Philippines, Inc., Tutuban Properties, Inc. He is also a director of Accendo Commercial Corporation, ALI-Eton Property Development Corporation, Alabang Commercial Corporation, Ayala Property Management Corporation, Fort Bonifacio Development Corporation, Integrated Eco-Resort, Inc., Makati Development Corporation, OCLP Holdings, Inc., Philippine FamilyMart CVS, Inc., Philippine Integrated Energy Solutions, Inc. and Station Square East Commercial Corporation. He joined ALI in 1996 and held various positions in the Company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University. He earned his Master's Degree in Business Administration from Asian Institute of Management. He is a Chartered Financial Analyst.

Robert S. Lao, Filipino, 43, has been Senior Vice President of Ayala Land Inc. and a member of the Management Committee of Ayala Land, Inc. since April 19, 2017. He is concurrently a member of the Board of Directors of Alveo Land Corp since January 2012, President and a member of the Board of Directors of Amaia Land Corp since January 2016, and President of BellaVita Land Corporation. He is recently appointed as the Head of the Central Land Acquisition Unit in Ayala Land Inc. He is also a member of the Board of Directors of Serendra, Inc., Alveo-Federal Land Communities, Inc., BGSouth Properties, Inc., Anvaya Cove Golf and Sports Club, Inc. and Amaia Southern Properties Inc. and the Chief Operating Officer of Portico Land Corp. Prior to joining Ayala Land, Inc., he served as a Senior Process Engineer of Fujitsu Computer Products Corporation of the Philippines (FCPP) and Lead Process Engineer of PT. Quantum Electronics in Indonesia. He is a licensed Real Estate Broker. He studied at the University of Santo Tomas (UST) and graduated cum laude in Bachelor of Science in Industrial Engineering in 1995. He completed his Master's in Business Management (MBM) degree in 2001 from the Asian Institute of Management (AIM) and attended the International Student Exchange Program from University of Cologne in Germany.

Jaime E. Ysmael, Filipino, 57, is a Senior Vice President of ALI. Concurrently, he is a Managing Director of Ayala Corporation and Chairman, President & Chief Executive Officer of OCLP Holdings, Inc., MG Construction Ventures Holdings, Inc. and Concrete Aggregates Corporation. His other significant positions include: Chairman of the Board of Directors of Anvaya Cove Beach and Nature Club, Inc. and Anvaya Golf and Sports Club, Inc.; Chairman and President of Tower One and Exchange Plaza Condominium Corporation; Director and Treasurer of Alinet.Com, Inc. and Integrity Initiative, Inc.; Director of Alabang Commercial Corporation, North Triangle Depot Commercial Corporation, Station Square East Commercial Corporation, Ayalaland Commercial Reit, Inc., DirectPower Services, Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Southcrest Hotel Ventures, Inc., ALI Eton Property Development Corporation, Capital Market Development Council and Green Horizons Holdings, Ltd. He is also a Trustee of FINEX Research and Development Foundation, Inc. and Trustee and President of the Alumni Tree Project. Mr. Ysmael holds a degree in Business Administration, Major in Accounting (Summa Cum Laude) at the University of the East, Manila, Philippines and is a Certified Public Accountant. He earned an MBA, Major in Finance, at The Wharton School and an MBA in International Studies at The School of Arts and Sciences of the University of Pennsylvania in Philadelphia, USA, as a fellow of The Joseph H. Lauder Institute of Management and International Studies.

Lyle A. Abadia, Filipino, 60, has served as Vice President of ALI since November 2016. Currently, he is the Head of Special Projects reporting to the Office of the President. Likewise, he is a Board of Director of Amicassa Process Solutions, Inc. and BellaVita Land Corporation. Prior to joining Ayala Land, Inc. in 2004, he held various executive positions in two (2) ALI's subsidiaries, commencing in 1982 under Ayala Theatres Management, Inc. and moved to join Laguna Technopark, Inc. in 1991 as one of the pioneering executive officers who crafted the successful transformation of the 650 hectares former sugarcane plantation into what is now known as one of the word- class industrial estates in the country. Mr. Abadia holds a degree in Bachelor of Science in Commerce, Major in Accounting at the Colegio De San Jose –

Recoletos. He completed a Basic Management Program at the Asian Institute of Management (AIM) and in-house program for Harvard Leadership Acceleration Program (LEAP).

Leovigildo D. Abot, Filipino, 54, is currently a Vice President of Ayala Land Inc. and Operations Management Control Head of Makati Development Corporation. Prior to this, he was Chief Audit Executive (CAE) of Ayala Land, Inc. He joined ALI in 2000 as Chief Finance Officer (CFO) of Ayala Hotels, Inc. Over the years in ALI, he occupied several CFO positions in other ALI's business units such as Avida Land Corporation, Land and Community Development Group or LCDG (now ALP) and Strategic Landbank Management Group (SLMG). Prior to Audit, he was the Head of ALI's Corporate Accounting Division, concurrent to his CFO assignment in SLMG. As ALI's Principal Accounting Officer, he led the transformation initiative of consolidating the transactional accounting functions of more than 25 ALI companies into Aprisa Business Process Solutions, Inc. He also headed ALI's transition to international accounting and reporting standards (IAS/IFRS). He graduated Magna Cum Laude from University of the East- Manila with BS in Business Administration, major in Accounting (Honors Program) in 1984. A Certified Public Accountant (CPA), he completed his Strategic Business Economics Program (SBEP) at University of Asia and the Pacific from 1999 to 2000. He was accepted as Fellow of the Institute of Corporate Directors (ICD) after his completion of the ICD's Professional Directors Program (PDP) in 2016.

Aniceto V. Bisnar, Jr., Filipino, 54, is a Vice President of Ayala Land, Inc. since January 2009. He is also the Chief Operating Officer of the Visayas-Mindanao Group of Ayala Land, Inc. He is currently the President of publicly listed companies Cebu Holdings, Inc. and Cebu Property Ventures & Development Corp since 2015. His other significant positions are: Chairman of Adauge Commercial Corp. and Amaia Southern Properties, Inc.; Chairman and President of North Point Estate Association, Inc., Cebu Leisure Company, Inc., Asian I-Office Properties, Inc., Cebu Business Park Association, Inc., and Asia Town I.T. Park Association, Inc.; Vice Chairman of South Portal Properties, Inc., and Central Block Developers, Inc. He is the Director and President of Aviana Development Corporation; President of CBP Theatre Management Company, Inc., and Lagdigan Land Corporation. He is also the Vice President of Solinea, Inc. He holds the directorship of: Accendo Commercial Corporation, Cebu District Property Enterprise, Inc., Westview Commercial Ventures Corp., Cagayan de Oro Gateway Corp., Avenco South Corporation, Taft Punta Engaño Property, Inc., Bonifacio Estates Services Corp., Aurora Properties Inc., Ceci Realty, Inc., Vesta Property Holdings, Inc., and Board of Trustee of the Hero Foundation, Inc. He completed his Master's in Business Management (MBM) degree in 1989 from the Asian Institute of Management (AIM) in Makati City and graduated in the top 5% of his class at the Philippine Military Academy in Baguio City in 1985. He also took up Master Planning and Mixed-Use Development at Harvard University School of Urban Design.

Manuel A. Blas II, Filipino, 63, serves as Vice President of Ayala Land Inc., and is the Head for Commercial Operations of Bonifacio Global City and Estate Head for Makati. He is also assigned as Managing Director of Bonifacio Arts Foundation, Inc. which manages the BGC Arts Center and The Mind Museum. He also holds the following positions in Fort Bonifacio Development Corporation Subsidiaries: President of Bonifacio Estate Services Corporation, Executive Vice President of Bonifacio Transport Corporation, Director of Bonifacio Global City Estate Association, Bonifacio Water Corporation and Bonifacio Gas Corporation. He graduated from De La Salle University and has a master's degree in Religious Studies from Maryhill School of Theology.

Ruby P. Chiong, Filipino, 51, has served as Vice President of Ayala Land, Inc. since November 2016. She is the Chief Finance Officer of Ayala Land Inc.'s Commercial Business Group. Her other positions include: Directors of Ayala Land Malls, Inc. and Ayalaland Hotels and Resorts Corp; Director and Treasurer of ALI Commercial Center, Inc., Ayalaland Offices, Inc., North Triangle Depot Commercial Corporation~~,~~ Leisure and Allied Philippines, Inc., Ten Knots Development Corporation, Ayala Theatres Management, Inc., Laguna Technopark, Inc., Direct Powers Services, Inc., Ecozone Power Management, Inc., Director and Vice President of ALI Capital Corp.; Treasurer of Alabang Commercial Corporation, Station Square East Commercial Corporation, Prime Orion Philippines Inc. Prior to being Chief Finance Officer in ALI, she was an Associate Director of Corporate Strategy at Ayala Corporation. She earned a degree of BS in Business Administration and Accountancy from the University of the Philippines, Diliman in 1987 and took her Master's Degree in Management at the Asian Institute of Management in 1996.

Myrna Lynne C. Fernandez, Filipino, 49, is a Vice President since January 1, 2016. She was appointed as Head of Ayala Malls effective April 1, 2018. Prior to this, she was the Chief Operating Officer of Ayala Malls Group, President of Ayala Theaters Management Inc., and Sr. Vice President of Ayala Land Malls Inc. Her other significant positions include Director of North Triangle Depot Commercial Corp., North Beacon Commercial Corp., North Ventures Commercial Corp., Ayala Land Malls NorthEast Inc. and Ayala Land Malls Vismin Inc.; General Manager and Director of ALI Commercial Center Inc.; President and Director of South Innovative Theater Management Inc., Cavite Commercial Center Corp. and Five Star Cinema Inc. and Vice President of Soltea Commercial Corp. She is a graduate of Bachelor of Science in Business Administration at the University of the Philippines, Diliman. She earned her Masters in Business Management from the Asian Institute of Management.

Dindo R. Fernando, Filipino, 49, has been Vice President of Ayala Land, Inc. since April 2017. He currently heads the company's External Affairs Division. Moreover, he is the Treasurer of Anvaya Beach and Nature Club, Corporate Secretary of Santa Rosa (Laguna) Business Club, Board Member of the Calamba City Business Club and Vice President of Avida Towers Makati West Condominium Corporation. Prior to joining ALI, he was Head of Political Research at the Makati Business Club where he oversaw congressional research, analysis and publication. He graduated with a degree in AB Political Science from the Lyceum of the Philippines in 1989.

Javier D. Hernandez, Filipino, 49, has been Vice President of Ayala Land, Inc. since April 2017. He is currently the President and Chief Executive Officer of the Ten Knots group, responsible for the overall management of El Nido Resorts and LIO Estate in El Nido, Palawan. In addition, he serves as Vice Chairman of Pangulasian Island Resort Corporation; Director, President and Treasurer of Sicogon Island Tourism Estate Corp.; Director and Treasurer of El Nido Foundation; and Vice President for Operations of Alabang Commercial Corporation. He holds Directorships in the following companies: South Innovative Theater Management, North Triangle Depot Commercial Corporation, Primavera Towncentre, Inc., Ayalaland Malls Vismin, Inc., Ten Knots Philippines, Inc., Bacuit Bay Development Corporation, Ecoholdings Company, Inc. and Chirica Resorts Corporation. He has worked for Ayala Land for 25 years, spending seven years with Mall Operations, four years with the Sales and Marketing Group, thereafter rejoining the Malls group for another 13 years before transferring to AyalaLand Hotels and Resorts mid-2016. He graduated with a Bachelors Degree in Business Administration from the San Francisco State University.

Joseph Carmichael Z. Jugo, Filipino, 43, is a Vice President of Ayala Land, Inc. and is currently the Managing Director of Ayala Land Premier and a director of several Ayala Land subsidiaries. In his more than 15 years in the company, he has been a part of and handled various business lines including business development for the retail and malls group, project development for the residential business group, project development for the leisure group and sales for the local and international markets. He graduated from the Ateneo de Manila with a degree in Management Economics in 1997 and completed his MBM from the Asian Institute of Management (with Distinction) in 2002. He attended the international graduate student exchange program at the Tuck School of Business, Dartmouth College in 2002 and completed the INSEAD Asian International Executive Programme (AIEP) in 2015.

Michael Alexis C. Legaspi, Filipino, 59, is the President and CEO of AyalaLand Hotels & Resorts Corporation (AHRC), owner of a portfolio of global hotel brands, and also owner, developer and operator of its home grown Seda Hotels. AHRC currently has 19 hotels and resorts in its portfolio with 11 more under construction. He is concurrently the Chairman of Ten Knots Development Corporation, owner-operator of the world-renowned El Nido Resorts group in Palawan comprised of four eco-tourism island resorts: Miniloc Island Resort, Lagen Island Resort, Apulit Island Resort and Pangalusian Island Resort. Mr. Legaspi also sits as President of the owning companies of the Fairmont and Raffles Hotels Makati, Holiday inn & Suites Makati, Cebu City Marriott, and the various Seda Hotels in Bonifacio Global City, Nuvali, Davao, Cagayan de Oro, Iloilo, Quezon City and Bacolod. In addition, he serves as Vice

President and Director of the Philippine Hotel Owners Association. He graduated with a degree of B.S. Hotel Restaurant Administration from the University of the Philippines, Diliman in 1980.

Christopher B. Maglanoc, Filipino, 47, is a Vice President of ALI since April 2013 and is currently President of Avida Land Corporation. He was Chief Operating Officer and Head of Project and Strategic Management in Avida Land before he was elected as President of the Company effective January 1, 2012. Prior to his stint in Avida in 2004, he occupied Management positions in various business units in Ayala Land, Inc. (i.e. Commercial Centers, Corporate Planning, and Alveo Land, Inc.). His other significant positions include: Chairman of Avida Sales Corp.; President of Avencosouth Corp.; Director of AmicaSSA Process Solutions, Inc., BellaVita, Blue Horizons Holdings Pte Ltd., and BGNorth Properties, Inc. He graduated from UP Los Baños with degrees in BA Sociology and BS Economics in 1990 and 1992, respectively. He finished his MBA from the Asian Institute of Management and attended the International Student Exchange Program in Copenhagen Business School in Denmark in 1997.

Romeo T. Menpin, Jr., Filipino, 48, is a Vice President of ALI since January 2014. He is currently the Head of the Construction Methods and Support Group (CMSG) of Makati Development Corporation. He is also currently the President of MEQ and MCI. Before joining MDC, he was a Director, President and Chief Operating Officer of Ayala Property Management Corporation and also the President of Philippine Integrated Energy Solutions Inc. He is also a Director of PhilEnergy. He joined ALI in May 2008 from Kuok Group of Companies where he was a Vice President and Head of Mall Operations of Shangri-la Plaza Corporation. Prior to this, he also held various management positions from APMC and Laguna Technopark, Inc. since 1996. He graduated with a degree of Bachelor of Science in Mechanical Engineering from Mapua Institute of Technology and completed units in Masters in Business Administration from De La Salle University in 2001

Carol T. Mills, Filipino, 45, has served as Vice President of Ayala Land, Inc. since November 2016. She is the President of Ayala Land Offices, Inc. She is Chairman and President of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., One Dela Rosa Property Development Inc., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp as well as a Director of North Triangle Depot Commercial Corp. and Central Block Developers Inc. Carol joined Ayala Land in 1993 and prior to her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

William Thomas F. Mirasol, Filipino, 53, is a Vice President of Ayala Land, Inc. since January 2014 and is currently the Chief Operating Officer and Senior Vice President of Ortigas & Co. (OCLP Holdings, Inc.) and a director of a number of Ayala Land subsidiaries. In his 25 years with the company, he has handled various business lines including retail operations, commercial project development, commercial leasing and operations, Land & House development and sales force organization & management for local and international markets. He graduated from De La Salle University Manila with a degree in Commerce in 1989. He finished his MBM from the Asian Institute of Management in 1992.

Rodelito J. Ocampo, Filipino, 54, is a Vice President of ALI since December 2010. He is currently Makati Development Corporation's (MDC) Head of Construction Operations and the President of MDC BuildPlus. Before his MDC assignment, he served as Technical Services Head of Avida Land Corp. and Alveo Land Corp., wholly owned subsidiaries of ALI and Head of the Construction Management of ALI Residential Buildings. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years. He is a licensed Civil Engineer. He graduated from Mapua Institute of Technology with a degree in BS Civil Engineering in 1983.

Ginaflor C. Oris, Filipino, 50, is currently a Vice President of Ayala Land and the Chief Finance Officer and Corporate Finance and Procurement Group (CFPG) Head of Makati Development Corporation. Prior to her assignment to MDC, she was the Managing Director for Corporate Finance and Asset Management of Ayala Corporation (AC). She was concurrently the CFO of Azalea Group, which held AC's various investments in information and communications technology (ICT), business process outsourcing (BPO), venture capital funds and emerging market funds. Gina brings with her more than 20 years of experience gained from AC and BPI Capital Corporation covering strategic financial management, execution of mergers, acquisitions and divestment transactions, financial reporting, controls, risk management and oversight of some of AC's portfolio investments and other assets. She graduated from Ateneo de Manila University with a degree of B.S Mathematics major in Computer Science in 1987. She completed Master in Business Management at Asian Institute of Management in 1992.

Angelica L. Salvador, Filipino, 55, is a Vice President of Ayala Land, Inc., and is currently the Controller of the Company. Her other key functions are as President of Aprisa Business Process Solutions, Inc. and Member of the Board of Directors of Amaia Land Corp and of AmicaSSa Process Solutions, Inc. Prior to her current assignment, she was the Chief Finance Officer of the ALI Residential Business Group and of various ALI-owned subsidiaries Alveo Land Corp., Ayala Property Management Corp., Ayala Land International Sales, Inc, and Laguna Technopark, Inc. Before joining Ayala Land, she was part of the Internal Audit Team of Ayala Corporation. She graduated cum laude from the University of the Philippines Diliman with Bachelor of Science degree in Business Administration and Accountancy, and obtained her Master's in Business Management (MBM) degree from the Asian Institute of Management.

Eliezer C. Tanlapco, Filipino, 68, is a Vice President and Group Head of Human Resources and Public Affairs and member of the Management Committee of Ayala Land, Inc. (ALI) . Prior to this role, he was a Human Resources Consultant for Ayala Group Counselors Corporation and Ayala Corporation from which he retired as Employee Relations and Services Director. He was previously ALI VP for Human Resources. He is a member of the Board of Directors of Ayala Multi-Purpose Cooperative and was the Vice Chair of Ayala Group HR Council, Ayala Group Corporate Security Council, and Champion of Ayala Group Labor Relations Network. He has had extensive work experience as Senior Leader in Human Resources and Community Development for multinational companies locally and abroad. He practiced law with a law firm and with the Office of the President of the Philippines. Atty. Tanlapco holds a Bachelor of Arts degree from the University of the Philippines and earned his Law Degree at Ateneo de Manila University. He completed his Management Development Program from the Asian Institute of Management, and Strategic Business Economics Program from the University of Asia and the Pacific, both with distinction.

Maria Rowena Victoria M. Tomeldan, Filipino, 56, is the President of Prime Orion Philippines, Inc. (POPI). Prior to this, she was the Head of Ayala Malls Group of Ayala Land, Inc. Her other significant positions include: Chairman of the Board of Directors & President of Ayala Land Malls, Inc.(ALMI); Ayala Land Malls NorthEast, Inc; Ayala Land Malls Vismin, Inc; Ayala Theatres Management, Inc; Five Star Cinema, Inc; Orion Maxis, Inc and Orion Solutions, Inc; Chairman of the Board, Ayala Land Metro North, Inc; Cavite Commercial Town Centre Inc; North Beacon Commercial Corporation; North Triangle Depot Commercial Corporation; North Ventures Commercial Corporation; Primavera TownCenter, Inc; Lagoon Development Corporation; Leisure Allied Industries Philippines, Inc; South Innovative Theatre Management, Inc; Subic Bay Town Center, Inc; SummerHill Commercial Ventures Corporation; Westview Commercial Ventures Corporation; Director & President, Ayalaland Malls Synergies, Inc.(AMSI); ALI-Commercial Center, Inc; Arvo Commercial Corporation; Cagayan De Oro Gateway Corporation; FLT Prime Insurance Corporation; Orion Land, Inc; Soltea Commercial Corp; Station Square East Commercial Corporation; Tutuban Properties, Inc; Laguna Technopark, Inc., Ecozone Power Management, Inc. Director & Vice President, Accendo Commercial Corporation; Director, Alabang Commercial Corporation; ALI-CII Development Corporation; Asterion Technopod Incorporated; Ayala Land Commercial REIT, Inc; Bonifacio Global City Estate Association; Prime Orion Philippines, Inc; Serendra, Inc.; Governor, Ayala Center Estate Association; Board Member, International Council of Shopping Centers (ICSC) Asia Pacific Advisory Board; ICSC Trustees Distinguised Service Awardee 2015; Conference Chairperson, Annual National Retailer Conference (NARCE), Philippine Retailers Association, 2009-2014, 2017; South African Council of Shopping Centers (SACSC) Footprint Marketing Awards Judging Panel – 2016; Vice-Chairman, Program Committee, Asia Pacific Retailers Conference 2015; She was a cum laude graduate of Bachelor of Arts in Economics from the University of the Philippines in 1983 and earned her Masters in Business Administration (MBA) degree from the same university in 1988. She finished the Executive Development Program at the Aresty Institute of Executive Education in Wharton University, Pennsylvania, USA in 2005.

Jennylle S. Tupaz, Filipino, 45, is a Vice President of Ayala Land, Inc. (ALI). She is the President of ALI's upscale residential brand Alveo Land Corp. She has over 20 years of project development experience in ALI which includes previous stints in Avida , and the Leisure & Lifestyle Communities Group (LLCG) before it was merge with Ayala Land Premiere (ALP). Concurrently, she is head of the Project Development Council of ALI's development business group, president and board member of Alveo-Federal Land Communities, Inc. and board member of Solinea Inc. She holds a Bachelor of Science degree in Statistics from the University of the Philippines and currently pursues an executive MBA degree with the University of Chicago Booth School of Business.

Solomon M. Hermosura, Filipino, 55, has served as the Corporate Secretary of the Company since April 2011 and the Group General Counsel of the Company since April 2015. He was the General Counsel from April 2014 to April 2015. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, Chief Legal Officer, Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He also serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc., Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. He served as a Director of Bank of the Philippine Islands from April 18, 2013 to April 9, 2014. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Significant Employees

The Company considers its human resources working as a team as a key element for its continued success. But the Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board of Directors, and Jaime Augusto Zobel de Ayala, Vice Chairman, are brothers.

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

a. None of them has been involved in any bankruptcy petition.

b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.

c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.

d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

> "Section 17 – Each director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form, and structure of the fees and other compensation of directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.
>
> The compensation and remuneration committee of the Board of Directors shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope." (As amended on April 13, 2011.)

During the 2011 annual stockholders' meeting, the stockholders ratified the resolution increasing the remuneration of non-executive directors as follows:

	From	To
Retainer Fee:	₱ 500,000.00	₱ 1,000,000.00
Board Meeting Fee per meeting attended:	₱ 100,000.00	₱ 200,000.00
Committee Meeting Fee per meeting attended:	₱ 20,000.00	₱ 100,000.00

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

Officers.

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to P188.4 million in 2016 and P205.4 million in 2017. The projected total annual compensation for the current year is P213.1 million.

Total compensation paid to all senior personnel from Manager and up amounted to P1,089.80 million in 2016 and P1,064 million in 2017. The projected total annual compensation for the current year is P1,113 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Bernard Vincent O. Dy* President & CEO Dante M. Abando Senior Vice President Anna Ma. Margarita B. Dy Senior Vice President Jose Emmanuel H. Jalandoni Senior Vice President			

Jaime E. Ysmael Senior Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2016 (restated)	₱102.1M	₱86.3M
	Actual 2017	₱112.3M	₱93.1M
	Projected 2018	₱120.0M	**₱93.1M
All other officers*** as a group unnamed	Actual 2016	₱709.5M	₱380.3M
	Actual 2017	₱701.0M	₱363.0M
	Projected 2018	₱750.0M	**₱363.0M

** Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes.*
*** Exclusive of Stock Option exercise. *** Managers and up.*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash.

The total annual compensation includes the basic salary and other variable pay (guaranteed bonus and performance bonus).

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change-in-control of the Company or change in the officers' responsibilities following such change-in-control.

Options Outstanding

Since 1998, the Company has offered its officers options to acquire common shares under its executive stock option plan (ESOP).

There were no ESOP shares available as of end-December 2017

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2018:

Title of Class	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percent (of total outstanding shares)**
Common	Ayala Corporation[14] 32/F to 35/F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Corporation[15]	Filipino	6,923,667,727	24.91295%
Preferred				12,163,180,640	43.76592%
Common	PCD Nominee Corporation (Non-Filipino)[16] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[17]	Various Non-Filipino	5,657,273,442	20.35617%
Common	PCD Nominee Corporation (Filipino)[16] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[17]	Filipino	1,855,977,467	6.67823%

(b) Security Ownership of Directors and Management (Executive Officers) as of January 31, 2018.

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent** (of total outstanding shares)
Directors				
Common	Fernando Zobel de Ayala	(direct) 12,000	Filipino	0.00004%
Common	Jaime Augusto Zobel de Ayala	(direct) 12,000	Filipino	0.00004%
Common	Bernard Vincent O. Dy	(direct & indirect) 12,813,602	Filipino	0.04611%
Common	Antonino T. Aquino	(direct & indirect) 20,305,226	Filipino	0.07306%
Common	Arturo G. Corpuz	(direct & indirect) 6,278,511	Filipino	0.02259%
Common	Jaime C. Laya	(direct) 10,000	Filipino	0.00004%
Common	Delfin L. Lazaro	(direct) 1	Filipino	0.00000%
Common	Rizalina G. Mantaring	(direct) 1	Filipino	0.00000%
Common	Ma. Angela E. Ignacio	(direct) 1	Filipino	0.00000%
CEO and Most Highly Compensated Executive Officers				
Common	Bernard Vincent O. Dy	(direct & indirect) 12,813,602	Filipino	0.04611%
Common	Dante M. Abando	(direct & indirect) 4,437,318	Filipino	0.01597%
Common	Anna Ma. Margarita B. Dy	(indirect) 6,402,168	Filipino	0.02304%
Common	Jose Emmanuel H. Jalandoni	(direct & indirect) 6,181,706	Filipino	0.02224%
Common	Jaime E. Ysmael	(direct & indirect) 9,103,891	Filipino	0.03276%

Other Executive Officers				
Common	Augusto D. Bengzon	(indirect) 2,466,243	Filipino	0.00887%
Common	Robert S. Lao	(indirect) 1,115,885	Filipino	0.00402%
Common	Lyle A. Abadia	(indirect) 555,965	Filipino	0.00200%
Common	Leovigildo D. Abot	(direct & indirect) 1,120,204	Filipino	0.00403%
Common	Aniceto V. Bisnar, Jr.	(indirect) 1,958,123	Filipino	0.00705%
Common	Manny A. Blas II	(direct & indirect) 1,935,242	Filipino	0.00696%
Common	Ruby P. Chiong	(indirect) 956,719	Filipino	0.00344%
Common	Myrna Lynne C. Fernandez	(indirect) 1,125,145	Filipino	0.00405%
Common	Dindo R. Fernando	(indirect) 830,332	Filipino	0.00299%
Common	Javier D. Hernandez	(indirect) 419,439	Filipino	0.00151%
Common	Joseph Carmichael Z. Jugo	(indirect) 536,053	Filipino	0.00193%
Common	Michael Alexis C. Legaspi	(indirect) 4,170,784	Filipino	0.01501%
Common	Carol T. Mills	(indirect) 598,493	Filipino	0.00215%
Common	Christopher B. Maglanoc	(indirect) 720,611	Filipino	0.00259%
Common	Romeo T. Menpin	(direct & indirect) 508,730	Filipino	0.00183%
Common	William Thomas F. Mirasol	(direct & indirect) 236,146	Filipino	0.00085%
Common	Rodelito J. Ocampo	(direct & indirect) 2,275,726	Filipino	0.00819%
Common	Ginaflor C. Oris	(indirect) 499,265	Filipino	0.00180%
Common	Angelica L. Salvador	(direct & indirect) 1,012,382	Filipino	0.00364%
Common	Maria Rowena Victoria M. Tomeldan	(direct & indirect) 1,334,542	Filipino	0.00480%
Common	Jennylle S. Tupaz	(indirect) 476,253	Filipino	0.00171%
Common	Eliezer C. Tanlapco	(indirect) 205,651	Filipino	0.00074%
Common	Solomon M. Hermosura	(direct) 480	Filipino	0.00000%
Preferred		(direct) 480		0.00000%
All Directors and Officers as a group		**90,615,318**		**0.32605%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

(c) Voting Trust Holders of 5% or more

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

(d) Changes in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

Related Party Transactions

The Company and its subsidiaries (the "Group"), in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Group in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

ALI employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

Parent Company / Major Holders

As of January 31, 2018, Ayala Corporation owns 68.68% of the total outstanding voting shares of the Company.

PART V – CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

Ayala Land has always been committed to strong and transparent corporate governance, going well beyond mere compliance with the code mandated by law. Ayala Land made several important improvements to its governance in 2004, focusing on increasing the involvement of various governance bodies, strengthening performance management, and ensuring compliance with Philippine Accounting Standards. In 2007, the Company adopted several initiatives aimed toward achieving governance excellence. These include conduct of a Self-Assessment Survey by the Board of Directors and Board Committees, development of Business Contingency Plans, adoption of risk-based audit approach and independent quality review of the Internal Audit function. Ayala Land believes that these changes will streamline its existing business models, improve execution, reduce risks, and better safeguard the collective and individual interests of its diverse set of shareholders.

Ayala Land seeks to promote and enhance compliance to good corporate governance. Ayala Land requires the observance of best practices and transparency in all of its subsidiaries, including those that are not listed on the PSE and not covered by the SEC Code of Corporate Governance.

The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top-level management with its Revised Manual of Corporate Governance (the “Revised Manual”) consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Revised Manual of the SEC.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management’s performance. The Board also makes certain the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Revised Manual. The Company has adopted in the Revised Manual the leading practices and principles of corporate transparency, and full compliance therewith has been made since the adoption of the Revised Manual.

The Company is taking further steps to further strengthen adherence to principles and practices of good corporate governance.

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report:

2017 Consolidated Audited Financial Statements

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

The following current reports have been reported by Ayala Land during the year 2017.

Unstructured Disclosures
• Board Attendance • Analyst Briefing Invitation on FY2016 results • Notice and Agenda of 2017 Annual Stockholders' Meeting • Press Release on FY 2016 Results • Declaration of Cash Dividends • Raising of up to P20 billion of debt through a) retail bonds, b) corporate notes c) bilateral loans and raising of up to P10 billion through short-dated notes • Press Release on Carbon Neutrality target by 2022 • Press Release on ALI's investment in Zalora Philippines • Disclosure of ALI's Consolidated Audited Financial Statements for the year ended December 31, 2016 • Additional documents pursuant to P7.0 billion Fixed Rate Bonds due 2027 • Compliance Report on Corporate Governance • Certifications of Nominees for Independent Directors • Results of Annual Stockholders' Meeting • Results of Organizational Meeting of Board of Directors • Press Release on Appointment of Group Chief Finance Officer • Analyst Briefing Invitation on 1Q 2017 results • Adjustment of P7.0 billion bond issuance date • Press Release on 1Q 2017 Results • Certificates of attendance of key corporate officers to Corporate Governance Seminar • Certificates of attendance of ALI directors to Corporate Governance Seminar • Annual Corporate Governance Report • Certificate of Attendance of independent director • Analyst Briefing Invitation on 1H 2017 results • Press Release on 1H 2017 Results • Corporate governance training attendance of directors and key officers • Declaration of Cash Dividends • Results of the Regular Meeting of the Board • Closing of ALI's acquisition of Zalora Philippines • Analyst Briefing Invitation on 9M 2017 results

- Update on ALI's Homestarter Bonds due 2019
- Amended Analyst Briefing Invitation on 9M 2017 results
- SIAL CVS Retailers, Inc. FamilyMart Co., Ltd., and ITOCHU corporation enter into Memorandum of Understanding to sell 100% of outsanding shares in Philippine FamilyMart CVS (Inc.) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX)
- Press Release on 9M 2017 Results
- Promotion of Officers
- Notice of Annual Stockholders' Meeting
- Board approval of revised Corporate Governance and Nomination Committee Charter to comply with the Code of Corporate Governance for publicly-listed companies
- Attendance of key officers to Corporate Governance Training

Clarification of News Reports

- Residential sales drive ALI profit higher in 2016 (BusinessWorld)
- Alveo Land hopes to reach record P45 billion sales this year (Business Mirror)
- Property giant Ayala Land readies P7.0 billion bond offering in April (BusinessWorld)
- ALI raises P7 billion bonds (The Philippine Star)
- Ayala to offer P5 billion more in notes (Manila Standard)
- ALI allots P46 billion for new projects (BusinessWorld)
- Ayala Land loses prime Las Pinas lot in SC ruling (Inquirer)
- FamilyMart chain for sale (Inquirer)
- ALI readies P5.7 billion notes issue (The Philippine Star)
- ALI to accelerate capex spending in 2018 (BusinessWorld)
- MVP Group eyes Qualimed (Inquirer)
- ALI lists P3.1 billion fixed-rate notes on PDEx (Business Mirror)

(c) Reports under SEC Form 17-C filed
None.

(d) Material events subsequent to the end of the reporting period that have not been reflected in the financial statements of the reporting period

On March 23, 2018, the Executive Committee of Ayala Land, Inc. (ALI) as approved the exchange of ALI's 75% equity interest in Laguna Technopark, Inc. (LTI) into additional shares of stock in Prime Orion Philippines, Inc. (POPI). The value of the transaction is P3.0B where POPI will issue 1,225,370,620 common shares to ALI in exchange for 30,186 LTI common shares and bring ALI's direct ownership in POPI to 63.90%.

On February 21, 2018, the Board of Directors of Ayala Land, Inc. (ALI) at its regular meeting approved the following:

1. The declaration of the annual cash dividends of 4.74786% per annum or P0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. The payment date will be June 29, 2018 to stockholders of said preferred shares on record as of June 15, 2018.

2. The raising of up to P20B through (a) retail bonds listed in the Philippine Dealing and

Exchange Corporation and (b) bilateral term loan/s to partially finance general corporate requirements. The retail bonds will be issued under the Corporation's P50B Debt Securities Program as approved by the Securities and Exchange Commission in March 2016.

3. The raising of up to P5B through the issuance of Qualified Buyer Notes with a tenor of up to 5 years to refinance the Corporation's short-term loans.

4. The grant to our qualified executives, pursuant to our Employee Stock Ownership Plan (the "Plan"), of stock options covering up to 13,677,052 common shares at a subscription price of Php45.07 per share equivalent to the average closing price of our common shares at the Philippine Stock Exchange for 30 consecutive trading days ending February 5, 2018. The grant of stock options was recommended by our Personnel and Compensation Committee pursuant to the Plan.

On January 11,2018, SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation have concluded the transaction to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX), further to a Memorandum of Agreement (MOA) entered into by the parties last October 30, 2017.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on APR 13 2018.

By:

Bernard Vincent O. Dy President / Chief Executive Officer	**Solomon M. Hermosura** Corporate Secretary
Augusto D. Bengzon Chief Finance Officer, Treasurer and Chief Compliance Officer	**Angelica L. Salvador** Comptroller

SUBSCRIBED AND SWORN to before me this APR 13 2018 affiants exhibiting to me their respective Passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Bernard Vincent O. Dy			
Solomon M. Hermosura			
Augusto D. Bengzon			
Angelica L. Salvador			

Notary Public

Doc. No. 32;
Page No. 8;
Book No. III;
Series of 2018.

MARIA PAULA G. ROMERO-BAUTISTA
NOTARY PUBLIC
ROLL NO. 58335
MAKATI CITY, PHILS.

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. 153 until December 31, 2019
Roll of Attorneys No. 58335
IBP No. 026373 - 01/11/2018 - Makati City
PTR No. 6628678MD - 01/11/2018 - Makati City
MCLE Compliance No. V-0017192- 03/28/2016
3rd Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

AYALA LAND, INC.
INDEX TO EXHIBITS
Form 17-A – Item 7

No.		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2016 Consolidated Financial Statements: Ayala Land, Inc. and Subsidiaries (with notarized Statement of Management Responsibility)	
	Attached 2016 Financial Statements of “significant” subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrant	70
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

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n.a. Not applicable or require no answer.

AYALA LAND, INC. – SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES
(As of December 31, 2017)

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land and the following subsidiaries, associates, and joint ventures as of December 31, 2017:

	Effective Ownership %
Real Estate:	
Alveo Land Corporation (Alveo)	100%
Serendra, Inc.	39
Solinea, Inc. (Solinea)	65
BGSouth Properties, Inc. (BGS)	50
Portico Land Corp. (Portico)	60
Serendra, Inc.	28
Amorsedia Development Corporation	100
OLC Development Corporation and Subsidiary	100
HLC Development Corporation	100
Allysonia International Ltd.	100
Avida Land Corporation (Avida)	100
Buklod Bahayan Realty and Development Corp.	100
Avida Sales Corp. and Subsidiaries	100
Amicassa Process Solutions, Inc.	100
Avencosouth Corp. (Avencosouth)	70
BGNorth Properties, Inc. (BGN)	50
Amaia Land Co. (Amaia)	100
Amaia Southern Properties, Inc. (ASPI)	65
Ayala Land International Sales, Inc. (ALISI)	100
Ayalaland International Marketing, Inc. (AIMI)	100
Ayala Land International (Singapore) Pte. Ltd.	100
Ayalaland International Marketing (Hong Kong) Limited (ALIM HK)	100
Ayala Land International Marketing , SRL (ALIM SRL)	100
Ayala Land International Marketing London	100
Ayala Land Sales, Inc.	100
Southportal Properties, Inc.	65
Buendia Landholdings, Inc.	100
Crans Montana Holdings, Inc.	100
Crimson Field Enterprises, Inc.	100
Ecoholdings Company, Inc. (ECI)	100
NorthBeacon Commercial Corporation NBCC)	100
Red Creek Properties, Inc.	100

Regent Time International, Limited (Regent Time) (British Virgin Islands)	100
Asterion Technopod, Incorporated (ATI)	100
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	100
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)	100
Hillsford Property Corporation (HPC)	100
Primavera Towncentre, Inc. (PTI)	100
Summerhill E-Office Corporation (Summerhill)	100
Sunnyfield E-Office Corporation (Sunnyfield)	100
Subic Bay Town Centre, Inc.	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	100
AyalaLand Real Estate Investments Inc.	100
AyalaLand Advisory Broadway Inc.	100
AyalaLand Development (Canada) Inc.	100
AyalaLand OpenAsia Holdings PTE, Limited	100
Blue Horizons Holdings PTE, Limited	100
AyalaLand Commercial REIT, Inc. (ALCRI)	100
Arvo Commercial Corporation (Arvo)	100
BellaVita Land Corporation (BellaVita)	100
Nuevo Centro, Inc. (Nuevo Centro)	55
Alviera Country Club, Inc.	50
Cavite Commercial Town Center, Inc.	100
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo))	100
One Dela Rosa Property Development, Inc.	100
First Gateway Real Estate Corp.	100
Glensworth Development, Inc. (Glensworth)	100
UP North Property Holdings, Inc.	100
Central Block Developers, Inc.	35
ALO Prime Realty Corporation	100
Laguna Technopark, Inc. (LTI)	75
Ecozone Power Management, Inc.	75
Aurora Properties Incorporated	80
Soltea Commercial Corp.	16
Vesta Property Holdings, Inc.	70
Station Square East Commercial Corporation (SSECC)	69
Accendo Commercial Corp. (Accendo)	67
Avencosouth Corp.	20
Aviana Development Corporation	7
Aviana Development Corporation	50

Cagayan de Oro Gateway Corp. (CDOGC)	70
Ceci Realty, Inc. (Ceci)	60
Soltea Commercial Corp.	12
Soltea Commercial Corp.	60
CMPI Holdings, Inc.	60
CMPI Land, Inc.	36
ALI-CII Development Corporation (ALI-CII)	50
Roxas Land Corporation (RLC)	50
Adauge Commercial Corporation (Adauge)	60
Southgateway Development Corp. (SDC)	100
Ayalaland MetroNorth, Inc. (AMNI)	100
North Triangle Depot Commercial Corporation (NTDCC)	73
BGWest Properties, Inc. (BGW)	50
Lagdigan Land Corporation	60
Cebu Holdings, Inc. (CHI)	72
Cebu Property Ventures Development Corp and Subsidiaries	63
Cebu Leisure Company, Inc.	72
CBP Theatre Management Inc.	72
Taft Punta Engaño Property Inc. (TPEPI)	40
Cebu Insular Hotel Company, Inc. (CIHCI)	27
Solinea, Inc.	25
Amaia Southern Properties, Inc. (ASPI)	25
Southportal Properties, Inc.	25
Central Block Developers, Inc.	41
Alabang Commercial Corporation (ACC)	50
South Innovative Theater Management (SITMI)	50
ALI Commercial Center Inc.	100
Prime Orion Properties Inc.	51
Prow Holdings Inc	55
Ayalaland Malls Synergies, Inc.	100
Altaraza Prime Realty Corporation	100
Anvaya Cove Golf and Sports Club, Inc.	78
Anvaya Cove Beach and Nature Club, Inc.	73
AyalaLand Premier, Inc.	100
Makati Cornerstone Leasing Corp.	100
Arca South Commercial Ventures Corp.	100
Bay City Commercial Ventures Corp.	100
Capitol Central Commercial Ventures Corp.	100

Construction:

Makati Development Corporation (MDC)	100
MDC – Subic, Inc.	100
MDC - Build Plus, Inc.	100
MDC Conqrete, Inc. (MCI)	100
MDC Equipment Solutions, Inc. (MESI)	100
MDBI Construction Corp. (formerly MDC Triangle)	67

Hotels and Resorts:

Ayala Hotels, Inc. (AHI)	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	80
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	80
Asian Conservation Company Limited and Subsidiary	100
Enjay Hotels, Inc. (Enjay)	100
Greenhaven Property Venture, Inc. (GPVI)	100
Cebu Insular Hotel Company, Inc. (CIHCI)	63
Bonifacio Hotel Ventures, Inc.	100
Southcrest Hotel Ventures, Inc.	67
Northgate Hotel Ventures, Inc.	70
North Triangle Hotel Ventures, Inc.	100
Ecosouth Hotel Ventures, Inc.	100
Sentera Hotel Ventures Inc.	100
Econorth Resorts Ventures, Inc.	100
ALI Triangle Hotel Ventures, Inc.	100
Circuit Makati Hotel Ventures, Inc.	100
Capitol Centre Hotel Ventures, Inc.	100
Arca South Hotel Ventures, Inc.	100
Sicogon Town Hotel, Inc.	100
Bay Area Hotel Ventures, Inc.	100
Makati North Hotel Ventures, Inc.	100
One Makati Hotel Ventures, Inc.	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	20
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	20
Ten Knots Phils., Inc. (TKPI)	60
Bacuit Bay Development Corporation	60
Lio Resort Ventures Inc.	60
North Liberty Resort Ventures Inc.	60
Paragua Eco-Resort Ventures Inc.	60

Lio Tourism Estate Management Corp.	
Ten Knots Development, Corp. (TKDC)	**60**
Chirica Resorts Corp.	**60**
Kingfisher Capital Resources Corp.	**60**
Pangalusian Island Resort Corporation	**60**
Property Management:	
Ayala Property Management Corporation (APMC)	**100**
Prime Support Services, Inc.	**100**
Ayala Theatres Management, Inc. and Subsidiaries	**100**
DirectPower Services, Inc. (DirectPower)	**100**
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**
Entertainment:	
Five Star Cinema, Inc.	**100**
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**
Others:	
ALInet.com, Inc. (ALInet)	**100**
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**
Green Horizons Holdings Limited	**100**
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**
AyalaLand Club Management, Inc.	**100**
ALI Capital Corp. (formerly Varejo Corp.)	**100**
Sicogon Island Tourism Estate, Corp.	**100**
Integrated Eco-resort Inc.	**100**
Island Transvoyager, Inc.	**100**
Ayala Land Malls, Inc. (formerly Solerte, Inc.)	**100**
AyalaLand Malls Vismin, Inc.	**100**
AyalaLand Malls NorthEast, Inc.	**100**
Verde Golf Development Corporation	**100**
Ayalaland Medical Facilities Leasing Inc. (Ayala Land Healthcare Leasing Inc.)	**100**
Whiteknight Holdings, Inc. (WHI)	**100**
Mercado General Hospital, Inc.	**33**
Next Urban Alliance Development Corp.	**100**
Arca South Integrated Terminal, Inc.	**100**

AYALA LAND, INC.

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

Supplementary Schedules *(For schedules A-L please refer to 76 - 121)*

Report of Independent Public Accountants on Supplementary Schedules

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, and have issued our report thereon dated February 20, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Lucy L. Chan

Lucy L. Chan
Partner
CPA Certificate No. 88118
SEC Accreditation No. 0114-AR-4 (Group A),
January 7, 2016, valid until January 6, 2019
Tax Identification No. 152-884-511
BIR Accreditation No. 08-001998-46-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 6621239, January 9, 2018, Makati City

February 20, 2018

AYALA LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
As of December 31, 2017

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE A - Financial Assets
As of December 31, 2017

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	AMOUNT IN THE BALANCE SHEET	INCOME RECEIVED & ACCRUED
Loans and Receivables		
A. Cash in Bank	**Php 10,107,551,137**	**Php 33,016,250**
BPI		
Peso	3,765,438,715	12,001,083
Foreign Currency	121,163,821	526,019
Other Banks		
Peso	5,993,780,261	20,314,528
Foreign Currency	227,168,339	174,620
B. Cash Equivalents 1/	**10,838,344,302**	**280,790,837**
BPI		
Special Savings Account		1,868,622
Time Deposits	4,362,630,661	105,081,393
Others		1,073,199
Other Banks		
Special Savings Account		877,201
Time Deposits	6,475,713,642	168,829,221
Others		3,061,201
C. Loans and receivable	**97,714,325,334**	**101,000,101**
Trade	97,714,325,334	101,000,101
Advances to other companies		
Investment in bonds classified as loans and receivables 2/	-	-
D . Financial Assets at FVPL	**540,605,738**	**4,560,454**
Investment in UITF	82,978,298	4,560,454
Investment in Funds	457,627,440	
E. AFS Financial assets	1,475,240,610	42,903,856
TOTAL :	**Php 120,676,067,121**	**Php 462,271,498**

1/ Cash equivalents are short term, highly liquid investments that are made for varying period of up to three (3) months depending on the immediate cash requirements of the group and earn interest at the respective short term rates.

2/ Investment in bonds classified as loans and receivables pertain to the Company's investment in unsecured subordinated notes of Land Bank of the Philippines and Development Bank of the Philippines and Company's investment in collateralized bonds of First Metro Investment Corp.

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
As of December 31, 2017

NAME	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE				TOTAL	
							CURRENT		NON-CURRENT			
Employees												
Notes Receivable	Php	403,385,110	Php	1,363,816,604	Php	1,271,119,057	Php	380,597,075	Php	115,485,581	Php	496,082,656
Accounts Receivable		336,441,304		2,006,738,626		2,007,402,300		334,775,939		1,001,691		335,777,630
	Php	**739,826,414**	**Php**	**3,370,555,230**	**Php**	**3,278,521,357**	**Php**	**715,373,014**	**Php**	**116,487,272**	**Php**	**831,860,286**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
As of December 31, 2017

	Amount Owed by Ayala Land, Inc. (ALI) Subsidiaries to ALI PARENT			
	Receivable Balance per ALI Parent	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp	1,113,429,755	1,113,429,755	1,113,429,755	
Adauge Commercial Corp.	17,366,850	17,366,850	17,366,850	
Alabang Commercial Corporation (Conso)	69,455,814	69,455,814	69,455,814	
ALI Capital Corp. (Conso)	1,704,990,503	1,704,990,503	1,704,990,503	
ALI Commercial Center, Inc.	50,053,353	50,053,353	50,053,353	
ALI-CII Development Corporation	4,356,067	4,356,067	4,356,067	
Altaraza Prime Realty Corporation	180,246	180,246	180,246	
Alveo Land Corporation (Conso)	3,560,513,209	3,560,513,209	3,560,513,209	
Amaia Land Corporation (Conso)	1,339,153,557	1,339,153,557	1,339,153,557	
Amorsedia Development Corporation (Conso)	511,688,780	511,688,780	511,688,780	
APRISA Business Process Solutions, Inc	111,455	111,455	111,455	
Arca South Integrated Terminal, Inc.	10,693,972	10,693,972	10,693,972	
Arvo Commercial Corporation	348,540,102	348,540,102	348,540,102	
Asterion Technopad, Incorporated	493,880,903	493,880,903	493,880,903	
Aurora Properties, Inc.	69,411,737	69,411,737	69,411,737	
Aviana Development Corporation	373,513	373,513	373,513	
Avida Land Corporation (Conso)	6,126,500,296	6,126,500,296	6,126,500,296	
Ayala Hotels Inc.	964,054,989	964,054,989	964,054,989	
Ayala Land International Sales, Inc.(Conso)	112,190,934	112,190,934	112,190,934	
Ayala Land Sales Inc.	49,686,101	49,686,101	49,686,101	
Ayala Property Management Corporation (Conso)	19,423,516	19,423,516	19,423,516	
Ayala Theaters Management, Inc.	14,207	14,207	14,207	
AyalaLand Club Management, Inc.	17,816,858	17,816,858	17,816,858	
AyalaLand Hotels and Resorts Corp. (Conso)	164,799,825	164,799,825	164,799,825	
Ayalaland Malls Synergies, Inc.	89,138,547	89,138,547	89,138,547	
AyalaLand Malls, Inc. (Conso)	6,171,330	6,171,330	6,171,330	
Ayalaland Medical Facilities Leasing Inc.	11,054,671	11,054,671	11,054,671	
Ayalaland Metro North, Inc.	1,611,302,354	1,611,302,354	1,611,302,354	
AyalaLand Offices, Inc. (Conso)	56,269,217	56,269,217	56,269,217	
BellaVita Land Corp.	755,530,187	755,530,187	755,530,187	
BG West Properties, Inc	294,226,549	294,226,549	294,226,549	
Buendia Landholdings, Inc.	27,632	27,632	27,632	
Cagayan De Oro Gateway Corporation	25,678,502	25,678,502	25,678,502	
Cavite Commercial Towncenter Inc.	71,964,539	71,964,539	71,964,539	
Cebu Holdings, Inc. (Conso)	1,023,008,143	1,023,008,143	1,023,008,143	
CECI Realty Corp.	175,193,119	175,193,119	175,193,119	
Central Block Developers, Inc.	742,552	742,552	742,552	
CMPI Holdings, Inc (Conso)	1,551,700	1,551,700	1,551,700	
Crans Montana Holdings Inc.	219,793	219,793	219,793	
Crimson Field Enterprises, Inc.	195,388,621	195,388,621	195,388,621	
Direct Power Services Inc.	2,302,709	2,302,709	2,302,709	
Ecoholdings Company, Inc.	699,597	699,597	699,597	
First Longfield Investments Ltd. (Conso)	6,684	6,684	6,684	
Hillsford Property Corporation	210,877	210,877	210,877	
Lagdigan Land Corporation	129,438	129,438	129,438	
Laguna Technopark Inc. (Conso)	424,684	424,684	424,684	
Makati Development Corporation (Conso)	105,109,184	105,109,184	105,109,184	
Next Urban Alliance Development Corp.	303,497	303,497	303,497	
North Triangle Depot Commercial Corp	767,737,126	767,737,126	767,737,126	
North Ventures Commercial Corp.	45,323,262	45,323,262	45,323,262	
NorthBeacon Commercial Corporation	30,037,721	30,037,721	30,037,721	
Nuevocentro, Inc. (Conso)	2,034,659,414	2,034,659,414	2,034,659,414	
Philippine Integrated Energy Solutions, Inc.	2,507,463	2,507,463	2,507,463	
Primavera Towncentre, Inc.	21,103,205	21,103,205	21,103,205	
Prime Orion Philippines, Inc. (Conso)	19,426,525	19,426,525	19,426,525	
Red Creek Properties, Inc.	230,932,788	230,932,788	230,932,788	
Regent Time International, Limited	96,790,963	96,790,963	96,790,963	
Regent Wise Investments Limited(Conso)	33,319,791	33,319,791	33,319,791	
Roxas Land Corp.	77,597,105	77,597,105	77,597,105	
Serendra Inc.	132,384,367	132,384,367	132,384,367	
Soltea Commercial Corp.	217,539,089	217,539,089	217,539,089	
Southgateway Development Corp.	1,470,156,231	1,470,156,231	1,470,156,231	
Southportal Properties, Inc.	134,646,245	134,646,245	134,646,245	
Station Square East Commercial Corp	1,274,366,733	1,274,366,733	1,274,366,733	
Subic Bay Town Center Inc.	717,129	717,129	717,129	
Summerhill Commercial Ventures Corp.	1,409,922,128	1,409,922,128	1,409,922,128	
Sunnyfield E-Office Corp	14,885,289	14,885,289	14,885,289	
Ten Knots Development Corporation(Conso)	17,302,873	17,302,873	17,302,873	
Ten Knots Philippines, Inc.(Conso)	118,185,421	118,185,421	118,185,421	

Verde Golf Development Corporation	94,182,307	94,182,307	94,182,307	
Vesta Properties Incorporated	6,782,776	6,782,776	6,782,776	
Westview Commercial Ventures Corp.	12,562,983	12,562,983	12,562,983	
Whiteknight Holdings, Inc.	27,483,241	27,483,241	27,483,241	
Ayalaland Premier, Inc.	179,200	179,200	179,200	
Makati Cornerstone Leasing Corp.	7,174,663,755	7,174,663,755	7,174,663,755	
Sub-Total	**36,640,735,794**	**36,640,735,794**	**36,640,735,794**	**-**

	Amount Owed by ALI PARENT to ALI SUBSIDIARIES			
	Receivable Balance per ALI Subsidiaries	**Payable Balance per ALI Parent**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp	9,950,261	9,950,261	9,950,261	
Adauge Commercial Corp.	7,243	7,243	7,243	
Alabang Commercial Corporation (Conso)	9,761,411	9,761,411	9,761,411	
ALI Commercial Center, Inc.	33,068,607	33,068,607	33,068,607	
Alveo Land Corporation (Conso)	1,778,836,482	1,778,836,482	1,778,836,482	
Amaia Land Corporation (Conso)	3,418,100	3,418,100	3,418,100	
Amorsedia Development Corporation (Conso)	120,706,662	120,706,662	120,706,662	
APRISA Business Process Solutions, Inc	1,338,925	1,338,925	1,338,925	
Arvo Commercial Corporation	978,363,084	978,363,084	978,363,084	
Asterion Technopad, Incorporated	3,662,927	3,662,927	3,662,927	
Aurora Properties, Inc.	59,263,045	59,263,045	59,263,045	
Avida Land Corporation (Conso)	1,544,185,420	1,544,185,420	1,544,185,420	
Ayala Hotels Inc.	1,356,030	1,356,030	1,356,030	
Ayala Land International Sales, Inc.(Conso)	20,739,286	20,739,286	20,739,286	
Ayala Land Sales Inc.	48,270,817	48,270,817	48,270,817	
Ayala Property Management Corporation (Conso)	15,538,808	15,538,808	15,538,808	
AyalaLand Hotels and Resorts Corp. (Conso)	16,718,580	16,718,580	16,718,580	
AyalaLand Malls, Inc. (Conso)	16,157,679	16,157,679	16,157,679	
Ayalaland Metro North, Inc.	703,591	703,591	703,591	
AyalaLand Offices, Inc. (Conso)	9,578,024	9,578,024	9,578,024	
BellaVita Land Corp.	1,372,241	1,372,241	1,372,241	
BG West Properties, Inc	1,400,050	1,400,050	1,400,050	
Buendia Landholdings, Inc.	709,316	709,316	709,316	
Cagayan De Oro Gateway Corporation	5,013,724	5,013,724	5,013,724	
Cavite Commercial Towncenter Inc.	23,926	23,926	23,926	
Cebu Holdings, Inc. (Conso)	29,798,668	29,798,668	29,798,668	
CECI Realty Corp.	9,792,174	9,792,174	9,792,174	
CMPI Holdings, Inc (Conso)	6,000,000	6,000,000	6,000,000	
Crans Montana Holdings Inc.	92,728,430	92,728,430	92,728,430	
Crimson Field Enterprises, Inc.	10,050,000	10,050,000	10,050,000	
Direct Power Services Inc.	10,228,046	10,228,046	10,228,046	
First Longfield Investments Ltd. (Conso)	12,769,657	12,769,657	12,769,657	
FIVE STAR Cinema Inc.	141,580	141,580	141,580	
Laguna Technopark Inc. (Conso)	6,404,482	6,404,482	6,404,482	
Makati Development Corporation (Conso)	4,190,386,430	4,190,386,430	4,190,386,430	
North Triangle Depot Commercial Corp	177,416,220	177,416,220	177,416,220	
North Ventures Commercial Corp.	1,199,297	1,199,297	1,199,297	
NorthBeacon Commercial Corporation	6,882,038	6,882,038	6,882,038	
Nuevocentro, Inc. (Conso)	164,040	164,040	164,040	

Philippine Integrated Energy Solutions, Inc.	2,451,439	2,451,439	2,451,439	
Primavera Towncentre, Inc.	1,407,328	1,407,328	1,407,328	
Prime Orion Philippines, Inc. (Conso)	1,004,829	1,004,829	1,004,829	
Red Creek Properties, Inc.	18,000,592	18,000,592	18,000,592	
Regent Time International, Limited	393,693,038	393,693,038	393,693,038	
Regent Wise Investments Limited(Conso)	108,793,275	108,793,275	108,793,275	
Serendra Inc.	55,770,195	55,770,195	55,770,195	
Soltea Commercial Corp.	167,848	167,848	167,848	
Station Square East Commercial Corp	1,478,217	1,478,217	1,478,217	
Subic Bay Town Center Inc.	2,301,452	2,301,452	2,301,452	
Ten Knots Development Corporation(Conso)	800	800	800	
Verde Golf Development Corporation	2,767,503	2,767,503	2,767,503	
Vesta Properties Incorporated	1,021,281,541	1,021,281,541	1,021,281,541	
Westview Commercial Ventures Corp.	27,020	27,020	27,020	
Ayalaland Premier, Inc.	1,294,471	1,294,471	1,294,471	
Makati Cornerstone Leasing Corp.	192,308,356	192,308,356	192,308,356	
Sub-Total	**11,036,853,202**	**11,036,853,202**	**11,036,853,202**	**-**

	Amount Owed by ALI SUBSIDIARIES TO MAKATI DEVELOPMENT CORP. AND SUBSIDIARIES			
	Receivable Balance per MDC & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corp	334,059,920	334,059,920	334,059,920	
Ayala Prop. Mngt.Corp	118,706	118,706	118,706	
MDC Triangle Inc.	715,697	715,697	715,697	
Avida Land Corp.	4,896,533,930	4,896,533,930	4,896,533,930	
Amaia Land Corp.	1,053,978,480	1,053,978,480	1,053,978,480	
Amaia Southern Properties, Inc.	7,398,935	7,398,935	7,398,935	
BG North Properties Inc.	695,404,670	695,404,670	695,404,670	
BellaVita Land Corp.	40,821,661	40,821,661	40,821,661	
BG West Properties, Inc	2,035,328,255	2,035,328,255	2,035,328,255	
Avencosouth Corp.	118,327,799	118,327,799	118,327,799	
Laguna Technopark Inc.	77,680,829	77,680,829	77,680,829	
Aurora Properties, Inc.	7,337,976	7,337,976	7,337,976	
Serendra Inc.	685,382,978	685,382,978	685,382,978	
Vesta Prop. Holdings, Inc	194,833,297	194,833,297	194,833,297	
CECI Realty Corp.	18,603,601	18,603,601	18,603,601	
Alviera Country Club, Inc	148,849,135	148,849,135	148,849,135	
Roxas Land Corp.	284,816,261	284,816,261	284,816,261	
Ayala Hotels, Inc.	165,178,218	165,178,218	165,178,218	
Southportal Properties, Inc.	223,324,675	223,324,675	223,324,675	
AYALALAND HOTELS AND RES	3,156,517	3,156,517	3,156,517	
Alveo Land Corp.	1,599,778,604	1,599,778,604	1,599,778,604	
BG South Properties, Inc.	1,159,796,918	1,159,796,918	1,159,796,918	
Solinea, Inc.	944,629,997	944,629,997	944,629,997	
Portico Land Corp.	533,870,453	533,870,453	533,870,453	
Alabang Commercial Corp.	676,000	676,000	676,000	
Leisure and Allied Industries Phils. Inc.	80,260,778	80,260,778	80,260,778	
ALI Commercial Center, Inc.	24,738	24,738	24,738	
Aviana Development Corporation	153,026,489	153,026,489	153,026,489	
Accendo Commercial Corp	500,849,761	500,849,761	500,849,761	
Adauge Commercial Corp.	32,522,444	32,522,444	32,522,444	
North Triangle Depot	6,117,925	6,117,925	6,117,925	
Subic Bay Town Center Inc.	4,038,115	4,038,115	4,038,115	
Cebu Holdings, Inc.	380,836,239	380,836,239	380,836,239	
Cebu Property Ventures & Devt Corp.	80,905,325	80,905,325	80,905,325	
Ayala Land Intl Sales,Inc	5,522,200	5,522,200	5,522,200	
Ayalaland Metro North Inc	174,200,197	174,200,197	174,200,197	
Soltea Commercial Corp.	99,500,000	99,500,000	99,500,000	
One Dela Rosa Property	2,019,459	2,019,459	2,019,459	
North Ventures Com Corp	3,111,587	3,111,587	3,111,587	
Asterion Technopod, Inc.	274,554,345	274,554,345	274,554,345	
Westview Commercial Ventures Corp.	227,148,967	227,148,967	227,148,967	
Sunnyfield E-Office Corp.	1,438,962	1,438,962	1,438,962	
Summerhill Commercial Ventures Corp.	758,170,967	758,170,967	758,170,967	
Asian I-Office Properties	49,798,699	49,798,699	49,798,699	
Philippine Integrated Energy Solutions, Inc.	11,497,589	11,497,589	11,497,589	
Ayalaland Offices Inc.	444,310	444,310	444,310	
Central Block Developers, Inc.	1,060,014,152	1,060,014,152	1,060,014,152	
Ayala Greenfield Devt Cor	64,694,272	64,694,272	64,694,272	
Greenhaven Property Venture, Inc.	176,810	176,810	176,810	
ALI Triangle Hotel Ventur	162,505,425	162,505,425	162,505,425	
Bonifacio Hotel Ventures, Inc.	124,294,599	124,294,599	124,294,599	
North Triangle Hotel Vent	60,987,977	60,987,977	60,987,977	
Amicassa Process Solution	222,134	222,134	222,134	
Ecosouth Hotel Ventures Inc.	6,571,429	6,571,429	6,571,429	
Eco North Resort Ventures	79,768,492	79,768,492	79,768,492	
Capitol Central Hotel Ven	48,896,744	48,896,744	48,896,744	

Arcasouth Hotel Ventures, Inc.	4,081,250	4,081,250	4,081,250	
Circuit Makati Hotel	130,787,467	130,787,467	130,787,467	
DirectPower Services, Inc	215,040	215,040	215,040	
Southgateway Development Corp.	507,701,225	507,701,225	507,701,225	
Nuevocentro Inc.	315,080,303	315,080,303	315,080,303	
Crans Montana Holdings Inc.	8,757,189	8,757,189	8,757,189	
CagayanDeOro Gateway Corp	329,841,607	329,841,607	329,841,607	
Lagdigan Land Corporation	710,000	710,000	710,000	
ALI Property Partners Corp.	2,129,310	2,129,310	2,129,310	
HLC Development Corporation	195,018,139	195,018,139	195,018,139	
Ten Knots Philippines, Inc.	413,118,303	413,118,303	413,118,303	
ALI Capital Corp.	2,845,156	2,845,156	2,845,156	
Verde Golf Development Corporation	5,012,324	5,012,324	5,012,324	
Lio Resort Ventures Inc	77,960,293	77,960,293	77,960,293	
Sicogon Island Tourism Estate Corp.	11,432,354	11,432,354	11,432,354	
Airswift Transport, Inc.	144,152,560	144,152,560	144,152,560	
Ayalaland Medical Facilities Leasing Inc.	149,044,117	149,044,117	149,044,117	
Anvaya Cove Golf and Sports Club Inc.				
Sub-Total	**21,982,611,278**	**21,982,611,278**	**21,982,611,278**	

	Amount Owed by ALI Subsidiaries to ACCENDO COMMERCIAL CORP.			
	Receivable Balance per Accendo	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Property Management Corporation	395,257	395,257	395,257	
Makati Development Corporation	60,452	60,452	60,452	
Avida Land Corporation	1,059,336	1,059,336	1,059,336	
Avencosouth Corp.	783,832	783,832	783,832	
Alveo Land Corporation	5,803,689	5,803,689	5,803,689	
Station Square East Commercial Corp	4,500	4,500	4,500	
ALI Commercial Center, Inc.	53,807	53,807	53,807	
Aviana Development Corporation	964,756	964,756	964,756	
Adauge Commercial Corp.	12,051	12,051	12,051	
North Triangle Depot Commercial Corp	27,745	27,745	27,745	
Cebu Holdings, Inc.	1,950	1,950	1,950	
Cebu Leisure Company, Inc.	5,080	5,080	5,080	
Ayalaland Metro North, Inc.	300	300	300	
Philippine Integrated Energy Solutions, Inc.	361	361	361	
South Innovative Theater Management Inc.	6,365	6,365	6,365	
Southcrest Hotel Ventures, Inc.	1,318,187	1,318,187	1,318,187	
Cagayan De Oro Gateway Corporation	106,845	106,845	106,845	
Sub-Total	**10,604,514**	**10,604,514**	**10,604,514**	**-**

	Amount Owed by ALI Subsidiaries to ADAUGE COMMERCIAL CORP.			
	Receivable Balance per Adauge	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	5,011,062	5,011,062	5,011,062	
Makati Development Corporation	13,371	13,371	13,371	
MDC Build Plus, Inc.	1,077,424	1,077,424	1,077,424	
Avida Land Corporation	76,982,981	76,982,981	76,982,981	
Amaia Land Corporation	1,235	1,235	1,235	
Accendo Commercial Corp	39,834,406	39,834,406	39,834,406	
Cebu Holdings, Inc.	29,000,000	29,000,000	29,000,000	
Ayalaland Metro North, Inc.	99,065	99,065	99,065	
Sunnyfield E-Office Corp	942,024	942,024	942,024	
Summerhill Commercial Ventures Corp.	22,113,118	22,113,118	22,113,118	
Sentera Hotel Ventures, Inc.	1,267,362	1,267,362	1,267,362	
Airswift Transport, Inc.	41,414,536	41,414,536	41,414,536	
Sub-Total	**217,756,585**	**217,756,585**	**217,756,585**	**-**

	Amount Owed by ALI Subsidiaries to ALABANG COMMERCIAL CORP. & SUBSIDIARIES			
	Receivable Balance per ACC & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corp.	951,271	951,271	951,271	
Amaia Land Corp.	17,290	17,290	17,290	
Serendra Inc.	160,294	160,294	160,294	
Alveo Land Corp.	57,195	57,195	57,195	
FIVE STAR Cinema Inc.	3,299,149	3,299,149	3,299,149	
Leisure and Allied Industries Phils. Inc.	81,627	81,627	81,627	

Station Square East	36,915	36,915	36,915	
ALI Commercial Center, Inc.	1,046,715	1,046,715	1,046,715	
Accendo Commercial Corp	20,234	20,234	20,234	
North Triangle Depot	259,685	259,685	259,685	
Cebu Leisure Co. Inc.	25,470	25,470	25,470	
Ayala Land Sales Inc.	571,187	571,187	571,187	
Ayalaland Metro North Inc	1,520	1,520	1,520	
Soltea Commercial Corp.	25,800	25,800	25,800	
NorthBeacon Commercial Corporation	460	460	460	
North Ventures Com Corp	840	840	840	
North Eastern Comm Corp	500	500	500	
CagayanDeOro Gateway Corp	900	900	900	
Ten Knots Philippines, Inc.	16,128	16,128	16,128	
Sub-Total	**6,573,180**	**6,573,180**	**6,573,180**	

	Amount Owed by ALI Subsidiaries to ALI CAPITAL CORP.			
	Receivable Balance per ACCI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corp.	13,000,000	13,000,000	13,000,000	
AYALALAND HOTELS AND RES	2,092,064	2,092,064	2,092,064	
Summerhill Commercial Ventures Corp.	15,000,000	15,000,000	15,000,000	
Ten Knots Development Corporation	10,295,531	10,295,531	10,295,531	
Ten Knots Philippines, Inc.	2,391,636	2,391,636	2,391,636	
ALI Capital Corp.	113,976,075	113,976,075	113,976,075	
Chirica Resorts Corporation	3,484,489	3,484,489	3,484,489	
Pangulasian Island Resort Corporation	822,425	822,425	822,425	
Integrated Eco-Resort Inc.	(117,976,075)	(117,976,075)	(117,976,075)	
Airswift Transport, Inc.	4,000,000	4,000,000	4,000,000	
Sub-Total	**47,086,145**	**47,086,145**	**47,086,145**	

	Amount Owed by ALI Subsidiaries to ALI COMMERCIAL CENTER INC.			
	Receivable Balance per ACCI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	(238,482)	(238,482)	(238,482)	
Ayala Property Management Corporation	29,341,230	29,341,230	29,341,230	
Makati Development Corporation	147,564	147,564	147,564	
Avida Land Corporation	135,865,410	135,865,410	135,865,410	
Amaia Land Corporation	106,501,602	106,501,602	106,501,602	
Avida Sales Corp	5,600	5,600	5,600	
BellaVita Land Corp.	24,600	24,600	24,600	
Aurora Properties, Inc.	1,169	1,169	1,169	
Serendra Inc.	36,258	36,258	36,258	
CECI Realty Corp.	4,466	4,466	4,466	
Alveo Land Corporation	5,433,670	5,433,670	5,433,670	
Alabang Commercial Corporation	1,900,453	1,900,453	1,900,453	
FIVE STAR Cinema Inc.	544	544	544	
Leisure and Allied Industries Phils. Inc.	265,239	265,239	265,239	
Station Square East Commercial Corp	(70,993)	(70,993)	(70,993)	
Accendo Commercial Corp	1,373,755	1,373,755	1,373,755	
North Triangle Depot Commercial Corp	890,684	890,684	890,684	
Subic Bay Town Center Inc.	100,627	100,627	100,627	
Cebu Holdings, Inc.	60,300,159	60,300,159	60,300,159	
Cebu Property Ventures & Dev't Corp.	4,482	4,482	4,482	
Cebu Leisure Company, Inc.	(243,742)	(243,742)	(243,742)	
Cavite Commercial Towncenter Inc.	(11,016)	(11,016)	(11,016)	
Ayalaland Metro North, Inc.	22,501	22,501	22,501	
Soltea Commercial Corp.	3,372,484	3,372,484	3,372,484	
Ayalaland Malls Synergies, Inc.	8,183,957	8,183,957	8,183,957	
NorthBeacon Commercial Corporation	1,218,826	1,218,826	1,218,826	
North Ventures Commercial Corp.	81,664	81,664	81,664	
North Eastern Commercial Corp.	25,117,079	25,117,079	25,117,079	
Westview Commercial Ventures Corp.	562	562	562	
Summerhill Commercial Ventures Corp.	(16,531,587)	(16,531,587)	(16,531,587)	
Asian I-Office Properties, Inc.	2,280	2,280	2,280	
Ecozone Power Management, Inc.	2,280	2,280	2,280	
South Innovative Theater Management Inc.	70,443	70,443	70,443	
Greenhaven Property Venture, Inc.	2,500,000	2,500,000	2,500,000	
Econorth Resorts Ventures, Inc.	7,500,000	7,500,000	7,500,000	
Southgateway Development Corp.	2,500,000	2,500,000	2,500,000	
Cagayan De Oro Gateway Corporation	995,939	995,939	995,939	
ALI Makati Hotel and Residences, Inc.	(488,875)	(488,875)	(488,875)	
Ten Knots Development Corporation	121,683	121,683	121,683	
AyalaLand Malls, Inc.	79,468	79,468	79,468	

Lio Resort Ventures Inc	17,857	17,857	17,857	
Airswift Transport, Inc.	5,200,000	5,200,000	5,200,000	
Sub-Total	**381,599,843**	**381,599,843**	**381,599,843**	

	Amount Owed by ALI Subsidiaries to ALI-CII DEVELOPMENT CORP			
	Receivable Balance per ALI-CII	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	14,752	14,752	14,752	
Amaia Land Corporation	8,300,000	8,300,000	8,300,000	
Avida Sales Corp	671,304	671,304	671,304	
Cebu Property Ventures & Dev't Corp.	19,000,000	19,000,000	19,000,000	
Summerhill Commercial Ventures Corp.	10,027,111	10,027,111	10,027,111	
Sub-Total	**38,013,167**	**38,013,167**	**38,013,167**	**-**

	Amount Owed by ALI Subsidiaries to ALVEO LAND CORP. & SUBSIDIARIES			
	Receivable Balance per Alveo Land Corporation	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	4,000,000	4,000,000	4,000,000	
Ayala Prop. Mngt.Corp	1,756,537	1,756,537	1,756,537	
Makati Development Corp.	5,852,327	5,852,327	5,852,327	
MDC Build Plus, Inc.	2,754,454	2,754,454	2,754,454	
Avida Land Corp.	236,792,744	236,792,744	236,792,744	
Amaia Land Corp.	152,500,521	152,500,521	152,500,521	
BG North Properties Inc.	237,500,000	237,500,000	237,500,000	
BellaVita Land Corp.	516,879,701	516,879,701	516,879,701	
Aurora Properties, Inc.	11,419,925	11,419,925	11,419,925	
Serendra Inc.	162,815,776	162,815,776	162,815,776	
Vesta Prop. Holdings, Inc	300,822,668	300,822,668	300,822,668	
Alviera Country Club, Inc	81,537	81,537	81,537	
Alveo Land Corp.	2,946,831	2,946,831	2,946,831	
Alabang Commercial Corp.	117,000,000	117,000,000	117,000,000	
ALI Commercial Center, Inc.	1,725	1,725	1,725	
Accendo Commercial Corp	517,830,795	517,830,795	517,830,795	
Cebu Holdings, Inc.	47,800,329	47,800,329	47,800,329	
Ayala Land Intl Sales,Inc	550,371	550,371	550,371	
Ayalaland Metro North Inc	98,605,582	98,605,582	98,605,582	
Soltea Commercial Corp.	14,500,000	14,500,000	14,500,000	
AMSI, Inc.	20,000,000	20,000,000	20,000,000	
North Eastern Comm Corp	73,000,000	73,000,000	73,000,000	
Summerhill Commercial Ventures Corp.	198,987,723	198,987,723	198,987,723	
North Triangle Hotel Vent	7,700,000	7,700,000	7,700,000	
Amicassa Process Solution	8,404,830	8,404,830	8,404,830	
Eco North Resort Ventures	10,000,000	10,000,000	10,000,000	
Circuit Makati Hotel	4,000	4,000	4,000	
Southgateway Development Corp.	57,000,000	57,000,000	57,000,000	
Nuevocentro Inc.	283,804,560	283,804,560	283,804,560	
Crans Montana Holdings Inc.	10,958,101	10,958,101	10,958,101	
HLC Development Corporation	8,900,000	8,900,000	8,900,000	
Ten Knots Philippines, Inc.	20,000,000	20,000,000	20,000,000	
Chirica Resorts Corporation	50,000,000	50,000,000	50,000,000	
Airswift Transport, Inc.	60,000,000	60,000,000	60,000,000	
Sub-Total	**3,241,171,037**	**3,241,171,037**	**3,241,171,037**	**-**

	Amount Owed by ALI Subsidiaries to AMAIA LAND, INC. & SUBSIDIARIES			
	Receivable Balance per Amaia & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Prop. Mngt.Corp	81,325	81,325	81,325	
Makati Development Corp.	2,182,339	2,182,339	2,182,339	
MDC Build Plus, Inc.	2,248,245	2,248,245	2,248,245	
Avida Land Corp.	9,190,147	9,190,147	9,190,147	
Buklod Bahayan Realty Devt Corp	232,848	232,848	232,848	
BellaVita Land Corp.	43,482,976	43,482,976	43,482,976	
Alveo Land Corp.	269,105	269,105	269,105	
Ayala Land Sales Inc.	253,372	253,372	253,372	
Ayala Land Intl Sales,Inc	105,963	105,963	105,963	
Amicassa Process Solution	621,024	621,024	621,024	
APRISA Business Soln.,Inc	133,675	133,675	133,675	
Sub-Total	**58,801,019**	**58,801,019**	**58,801,019**	**-**

	Amount Owed by ALI Subsidiaries to AMORSEDIA & SUBSIDIARIES			
	Receivable Balance per Amorsedia & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Avida Land Corp.	63,000,000	63,000,000	63,000,000	
BellaVita Land Corp.	25,480,000	25,480,000	25,480,000	

Eco North Resort Ventures	47,905	47,905	47,905	
Sub-Total	**88,527,905**	**88,527,905**	**88,527,905**	**-**

	Amount Owed by ALI Subsidiaries to ANVAYA COVE BEACH & NATURE CLUB, INC.			
	Receivable Balance per Anvaya Cove Beach	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Anvaya Cove Golf and Sports Club, Inc.	11,915,634	11,915,634	11,915,634	
Sub-Total	**11,915,634**	**11,915,634**	**11,915,634**	

	Amount Owed by ALI Subsidiaries to ANVAYA COVE GOLF & NATURE CLUB, INC.			
	Receivable Balance per Anvaya Cove Golf	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	15,040	15,040	15,040	
Anvaya Cove Beach and Nature Club, Inc	2,036,578	2,036,578	2,036,578	
Sub-Total	**2,051,618**	**2,051,618**	**2,051,618**	

	Amount Owed by ALI Subsidiaries to APRISA BUSINESS SOLUTIONS, INC.			
	Receivable Balance per APRISA	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	55,231	55,231	55,231	
Ayala Property Management Corporation	355,884	355,884	355,884	
Makati Development Corporation	2,590,484	2,590,484	2,590,484	
MDC Build Plus, Inc.	285,130	285,130	285,130	
Avida Land Corporation	45,467,669	45,467,669	45,467,669	
Amaia Land Corporation	4,000,000	4,000,000	4,000,000	
Aurora Properties, Inc.	50,568	50,568	50,568	
Serendra Inc.	343,687	343,687	343,687	
Vesta Properties Incorporated	64,445	64,445	64,445	
CECI Realty Corp.	174,601	174,601	174,601	
AyalaLand Hotels and Resorts Corp.	14,818	14,818	14,818	
Alveo Land Corporation	1,237,237	1,237,237	1,237,237	
Alabang Commercial Corporation	500,603	500,603	500,603	
Station Square East Commercial Corp	718,420	718,420	718,420	
ALI Commercial Center, Inc.	985	985	985	
Prime Orion Philippines, Inc.	30,240	30,240	30,240	
Tutuban Properties, Inc.	130,939	130,939	130,939	
Accendo Commercial Corp	81,021	81,021	81,021	
North Triangle Depot Commercial Corp	494,619	494,619	494,619	
Soltea Commercial Corp.	76,440	76,440	76,440	
NorthBeacon Commercial Corporation	23,505	23,505	23,505	
North Eastern Commercial Corp.	710,657	710,657	710,657	
Westview Commercial Ventures Corp.	30,737	30,737	30,737	
Summerhill Commercial Ventures Corp.	15,000,000	15,000,000	15,000,000	
Central Block Developers, Inc.	21,168	21,168	21,168	
ALO Prime Realty Corporation	21,168	21,168	21,168	
Amicassa Process Solutions, Inc	31,231	31,231	31,231	
Econorth Resorts Ventures, Inc.	10,000,000	10,000,000	10,000,000	
Southgateway Development Corp.	21,756	21,756	21,756	
Nuevocentro, Inc.	37,632	37,632	37,632	
Crans Montana Holdings Inc.	16,800	16,800	16,800	
Whiteknight Holdings, Inc.	145,740	145,740	145,740	
Ayalaland Medical Facilities Leasing Inc.	66,360	66,360	66,360	
Sub-Total	**82,799,775**	**82,799,775**	**82,799,775**	

	Amount Owed by ALI Subsidiaries to ARCA SOUTH INTEGRATED TERMINAL			
	Receivable Balance per ARCA SOUTH	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Cebu Property Ventures & Dev't Corp.	10,000,000	10,000,000	10,000,000	
Sub-Total	**10,000,000**	**10,000,000**	**10,000,000**	

	Amount Owed by ALI Subsidiaries to ARVO COMMERCIAL CORP.			
	Receivable Balance per Arvo Commercial	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	980	980	980	
Makati Development Corporation	45,268	45,268	45,268	
Alabang Commercial Corporation	80,080	80,080	80,080	
Leisure and Allied Industries Phils. Inc.	483,448	483,448	483,448	
Station Square East Commercial Corp	1,670	1,670	1,670	
ALI Commercial Center, Inc.	2,190	2,190	2,190	
North Triangle Depot Commercial Corp	600	600	600	
Primavera Towncentre, Inc.	308,275	308,275	308,275	
Cavite Commercial Towncenter Inc.	1,250	1,250	1,250	
Soltea Commercial Corp.	12,850	12,850	12,850	
South Innovative Theater Management Inc.	1,360	1,360	1,360	

Sub-Total	**937,971**	**937,971**	**937,971**	

	Amount Owed by ALI Subsidiaries to AURORA PROPERTIES, INC.			
	Receivable Balance per AURORA	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	210,996,669	210,996,669	210,996,669	
Amaia Land Corporation	8,000,000	8,000,000	8,000,000	
Vesta Properties Incorporated	27,739	27,739	27,739	
CECI Realty Corp.	167,851	167,851	167,851	
Alveo Land Corporation	876,549	876,549	876,549	
Alabang Commercial Corporation	10,500,000	10,500,000	10,500,000	
Accendo Commercial Corp	5,000,000	5,000,000	5,000,000	
Ayala Land International Sales, Inc	10,000,000	10,000,000	10,000,000	
Ayalaland Metro North, Inc.	158,600,871	158,600,871	158,600,871	
Summerhill Commercial Ventures Corp.	109,971,879	109,971,879	109,971,879	
North Triangle Hotel Ventures, Inc.	10,049,190	10,049,190	10,049,190	
Nuevocentro, Inc.	53,900	53,900	53,900	
Chirica Resorts Corporation	726	726	726	
Sub-Total	**524,245,374**	**524,245,374**	**524,245,374**	

	Amount Owed by ALI Subsidiaries to AVIDA LAND CORP. & SUBSIDIARIES			
	Receivable Balance per Avida Land Corp. & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	13,263,598	13,263,598	13,263,598	
Ayala Prop. Mngt.Corp	8,723,911	8,723,911	8,723,911	
Makati Development Corp.	849,985	849,985	849,985	
MDC Build Plus, Inc.	89,499	89,499	89,499	
Avida Land Corp.	10,921,128	10,921,128	10,921,128	
Amaia Land Corp.	93,327,833	93,327,833	93,327,833	
BellaVita Land Corp.	316,732,946	316,732,946	316,732,946	
Aurora Properties, Inc.	38,403,280	38,403,280	38,403,280	
Serendra Inc.	1,196,431	1,196,431	1,196,431	
Vesta Prop. Holdings, Inc	11,561	11,561	11,561	
CECI Realty Corp.	5,128	5,128	5,128	
Roxas Land Corp.	1,628,040	1,628,040	1,628,040	
Ayala Hotels, Inc.	25,702	25,702	25,702	
Alveo Land Corp.	18,212,682	18,212,682	18,212,682	
BG South Properties, Inc.	169,035	169,035	169,035	
Solinea, Inc.	3,822	3,822	3,822	
ALI-CII Development Corporation	75,000	75,000	75,000	
Ayala Theaters Mgt, Inc.	69,503	69,503	69,503	
Accendo Commercial Corp	57,528	57,528	57,528	
Cebu Holdings, Inc.	373,115	373,115	373,115	
Cebu Property Ventures & Devt Corp.	69,000	69,000	69,000	
Ayala Land Intl Sales,Inc	11,855,340	11,855,340	11,855,340	
Summerhill Commercial Ventures Corp.	11,894	11,894	11,894	
Asian I-Office Properties	24,146,238	24,146,238	24,146,238	
Ayala Greenfield Devt Cor	235,055	235,055	235,055	
Southgateway Development Corp.	76,627,862	76,627,862	76,627,862	
Nuevocentro Inc.	84,523,970	84,523,970	84,523,970	
CagayanDeOro Gateway Corp	177,101,141	177,101,141	177,101,141	
Sub-Total	**878,710,228**	**878,710,228**	**878,710,228**	**-**

	Amount Owed by ALI Subsidiaries to AYALA HOTELS, INC.			
	Receivable Balance per AHI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	212,200,000	212,200,000	212,200,000	
Amaia Land Corporation	87,600,000	87,600,000	87,600,000	
BellaVita Land Corp.	2,000,000	2,000,000	2,000,000	
AyalaLand Hotels and Resorts Corp.	668,932	668,932	668,932	
Leisure and Allied Industries Phils. Inc.	50,000,000	50,000,000	50,000,000	
Accendo Commercial Corp	28,700,000	28,700,000	28,700,000	
Cebu Holdings, Inc.	20,000,000	20,000,000	20,000,000	
Cebu Property Ventures & Dev't Corp.	73,500,000	73,500,000	73,500,000	
Soltea Commercial Corp.	45,700,000	45,700,000	45,700,000	
Ayalaland Malls Synergies, Inc.	5,400,000	5,400,000	5,400,000	
North Eastern Commercial Corp.	10,000,000	10,000,000	10,000,000	
Summerhill Commercial Ventures Corp.	10,000,000	10,000,000	10,000,000	
North Triangle Hotel Ventures, Inc.	6,000,000	6,000,000	6,000,000	
Arcasouth Hotel Ventures, Inc.	5,000,000	5,000,000	5,000,000	
Circuit Makati Hotel Ventures, Inc.	9,000,000	9,000,000	9,000,000	

Southgateway Development Corp.	60,000,000	60,000,000	60,000,000	
HLC Development Corporation	40,000,000	40,000,000	40,000,000	
Airswift Transport, Inc.	78,000,000	78,000,000	78,000,000	
Sub-Total	**743,768,932**	**743,768,932**	**743,768,932**	

	Amount Owed by ALI Subsidiaries to AYALA LAND INTERNATIONAL SALES, INC. & SUBS.			
	Receivable Balance per ALISI & Subs	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corp.	56,939,422	56,939,422	56,939,422	
Amaia Land Corp.	9,822,498	9,822,498	9,822,498	
BellaVita Land Corp.	2,815,131	2,815,131	2,815,131	
Alveo Land Corp.	21,100,662	21,100,662	21,100,662	
Ayala Land Intl Sales,Inc	(313,115)	(313,115)	(313,115)	
AyalaLand International (Hong Kong) Limited	313,115	313,115	313,115	
Ayala Greenfield Devt Cor	1,168,249	1,168,249	1,168,249	
Sub-Total	**91,845,962**	**91,845,962**	**91,845,962**	

	Amount Owed by ALI Subsidiaries to AYALA LAND SALES, INC.			
	Receivable Balance per ALSI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	11,299,179	11,299,179	11,299,179	
Amaia Land Corporation	7,070,965	7,070,965	7,070,965	
BellaVita Land Corp.	44,100	44,100	44,100	
Summerhill Commercial Ventures Corp.	17,000,000	17,000,000	17,000,000	
Ayala Greenfield Development Corp	2,650,083	2,650,083	2,650,083	
Nuevocentro, Inc.	8,680	8,680	8,680	
Sub-Total	**38,073,008**	**38,073,008**	**38,073,008**	

	Amount Owed by ALI Subsidiaries to AYALA PROPERTY MANAGEMENT CORP.			
	Receivable Balance per APMC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	356,719	356,719	356,719	
Avida Land Corp.	863,114,050	863,114,050	863,114,050	
Amaia Land Corp.	9,112,208	9,112,208	9,112,208	
Amaia Southern Properties, Inc.	2,566,178	2,566,178	2,566,178	
BG North Properties Inc.	2,089,051	2,089,051	2,089,051	
BG West Properties, Inc	3,066,855	3,066,855	3,066,855	
Avencosouth Corp.	2,391,296	2,391,296	2,391,296	
Serendra Inc.	6,546,005	6,546,005	6,546,005	
Roxas Land Corp.	37,333	37,333	37,333	
Ayala Hotels, Inc.	621,120	621,120	621,120	
Alveo Land Corp.	7,116,161	7,116,161	7,116,161	
BG South Properties, Inc.	1,352,366	1,352,366	1,352,366	
Solinea, Inc.	1,098,021	1,098,021	1,098,021	
Alabang Commercial Corp.	78,997	78,997	78,997	
Station Square East	28,000	28,000	28,000	
ALI Commercial Center, Inc.	2,951,304	2,951,304	2,951,304	
Tutuban Properties, Inc.	38,455	38,455	38,455	
Accendo Commercial Corp	5,829,127	5,829,127	5,829,127	
Adauge Commercial Corp.	588,279	588,279	588,279	
North Triangle Depot	1,173,175	1,173,175	1,173,175	
Subic Bay Town Center Inc.	250,000	250,000	250,000	
Cebu Holdings, Inc.	1,704,579	1,704,579	1,704,579	
Cebu Property Ventures & Devt Corp.	172,032	172,032	172,032	
Cavite Commercial Towncenter Inc.	224,000	224,000	224,000	
Ayalaland Metro North Inc	750,177	750,177	750,177	
Soltea Commercial Corp.	409,881	409,881	409,881	
First Gateway Real Estate Corp	4,659	4,659	4,659	
One Dela Rosa Property	11,200	11,200	11,200	
North Ventures Com Corp	1,443,798	1,443,798	1,443,798	
North Eastern Comm Corp	308,397	308,397	308,397	
Sunnyfield E-Office Corp.	226,798	226,798	226,798	
Summerhill Commercial Ventures Corp.	339,681	339,681	339,681	
Asian I-Office Properties	35,763	35,763	35,763	
Ayalaland Offices Inc.	9,262	9,262	9,262	
Ayala Greenfield Devt Cor	719,229	719,229	719,229	
North Triangle Hotel Vent	89,890	89,890	89,890	
Capitol Central Hotel Ven	132,330	132,330	132,330	

Southgateway Development Corp.	251,381	251,381	251,381	
Nuevocentro Inc.	(145,298)	(145,298)	(145,298)	
CagayanDeOro Gateway Corp	333,702	333,702	333,702	
Ten Knots Development Corporation	24,370	24,370	24,370	
Ayalaland Medical Facilities Leasing Inc.	224,000	224,000	224,000	
Sub-Total	**917,674,533**	**917,674,533**	**917,674,533**	-

	Amount Owed by ALI Subsidiaries to AYALA THEATERS MANAGEMENT, INC.			
	Receivable Balance per ATMI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayalaland Malls Synergies, Inc.	75,277	75,277	75,277	
Sub-Total	**75,277**	**75,277**	**75,277**	

	Amount Owed by ALI Subsidiaries to AYALALAND CLUB MANAGEMENT, INC.			
	Receivable Balance per ACMI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Verde Golf Development Corporation	3,005,803	3,005,803	3,005,803	
Anvaya Cove Beach and Nature Club, Inc	4,479,521	4,479,521	4,479,521	
Anvaya Cove Golf and Sports Club, Inc.	4,820,802	4,820,802	4,820,802	
Sub-Total	**12,306,126**	**12,306,126**	**12,306,126**	-

	Amount Owed by ALI Subsidiaries to AYALALAND COMMERCIAL REIT, INC.			
	Receivable Balance per ALCRI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	203,700,000	203,700,000	203,700,000	
Amaia Land Corporation	54,300,000	54,300,000	54,300,000	
Soltea Commercial Corp.	25,000,000	25,000,000	25,000,000	
Summerhill Commercial Ventures Corp.	15,000,000	15,000,000	15,000,000	
HLC Development Corporation	25,000,000	25,000,000	25,000,000	
Sub-Total	**323,000,000**	**323,000,000**	**323,000,000**	

	Amount Owed by ALI Subsidiaries to AYALA HOTELS & RESORTS GROUP			
	Receivable Balance per AHRC & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Prop. Mngt.Corp	370,404	370,404	370,404	
Avida Land Corp.	43,400,000	43,400,000	43,400,000	
Amaia Land Corp.	64,000,000	64,000,000	64,000,000	
Ayala Hotels, Inc.	362	362	362	
AYALALAND HOTELS AND RES	0	0	0	
Accendo Commercial Corp	375,003	375,003	375,003	
Summerhill Commercial Ventures Corp.	200,600,000	200,600,000	200,600,000	
Central Block Developers, Inc.	3,755	3,755	3,755	
Ten Knots Development Corporation	6,112,787	6,112,787	6,112,787	
Ten Knots Philippines, Inc.	10,000,000	10,000,000	10,000,000	
Chirica Resorts Corporation	10,000,000	10,000,000	10,000,000	
Lio Resort Ventures Inc	48,812	48,812	48,812	
Integrated Eco-Resort Inc.	129,668	129,668	129,668	
Sub-Total	**335,040,792**	**335,040,792**	**335,040,792**	-

	Amount Owed by ALI Subsidiaries to ASMI			
	Receivable Balance per ASMI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Cavite Commercial Towncenter Inc.	5,981	5,981	5,981	
North Eastern Commercial Corp.	788,633	788,633	788,633	
Sub-Total	**794,614**	**794,614**	**794,614**	

	Amount Owed by ALI Subsidiaries to AYALALAND MALLS, INC.			
	Receivable Balance per ALMI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	168,403	168,403	168,403	
Alabang Commercial Corp.	73,913	73,913	73,913	
Station Square East	1,186,344	1,186,344	1,186,344	
ALI Commercial Center, Inc.	641,556	641,556	641,556	
Accendo Commercial Corp	618,740	618,740	618,740	
Adauge Commercial Corp.	17,165	17,165	17,165	
North Triangle Depot	754,234	754,234	754,234	
Cebu Holdings, Inc.	15,120,668	15,120,668	15,120,668	
Cavite Commercial Towncenter Inc.	176,288	176,288	176,288	
Ayalaland Metro North Inc	5,258	5,258	5,258	
North Ventures Com Corp	20,866	20,866	20,866	
North Eastern Comm Corp	4,170,593	4,170,593	4,170,593	

Summerhill Commercial Ventures Corp.	313,496	313,496	313,496	
South Innovative Theater Management Inc.	1,653,443	1,653,443	1,653,443	
Nuevocentro Inc.	2,415	2,415	2,415	
Ayalaland Malls Northeast, Inc.	1,252,010	1,252,010	1,252,010	
Orion Land, Inc.	133,116	133,116	133,116	
Sub-Total	**26,308,509**	**26,308,509**	**26,308,509**	

	Amount Owed by ALI Subsidiaries to AYALALALAND METRO NORTH, INC.			
	Receivable Balance per AMNI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	881,616	881,616	881,616	
Avida Land Corporation	2,070	2,070	2,070	
Station Square East Commercial Corp	6,330	6,330	6,330	
ALI Commercial Center, Inc.	310,230	310,230	310,230	
Accendo Commercial Corp	660	660	660	
North Triangle Depot Commercial Corp	55,386	55,386	55,386	
Cebu Leisure Company, Inc.	800	800	800	
Soltea Commercial Corp.	600	600	600	
NorthBeacon Commercial Corporation	594	594	594	
UP North Property Holdings, Inc.	1,520	1,520	1,520	
North Ventures Commercial Corp.	1,400	1,400	1,400	
North Eastern Commercial Corp.	3,054	3,054	3,054	
Summerhill Commercial Ventures Corp.	1,994	1,994	1,994	
South Innovative Theater Management Inc.	3,360	3,360	3,360	
Cagayan De Oro Gateway Corporation	900	900	900	
AyalaLand Malls, Inc.	3,803	3,803	3,803	
Sub-Total	**1,274,317**	**1,274,317**	**1,274,317**	

	Amount Owed by ALI Subsidiaries to AYALALAND OFFICES, INC. & SUBSIDIARIES			
	Receivable Balance per ALO & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	10,274,515	10,274,515	10,274,515	
Ayala Prop. Mngt.Corp	119,260	119,260	119,260	
Makati Development Corp.	1,538,976	1,538,976	1,538,976	
Avida Land Corp.	441,083,431	441,083,431	441,083,431	
Amaia Land Corp.	128,900,954	128,900,954	128,900,954	
CECI Realty Corp.	187,633	187,633	187,633	
Alveo Land Corp.	2,845,390	2,845,390	2,845,390	
Alabang Commercial Corp.	17,000,000	17,000,000	17,000,000	
ALI Commercial Center, Inc.	7,840	7,840	7,840	
Accendo Commercial Corp	40,099,767	40,099,767	40,099,767	
Cebu Property Ventures & Devt Corp.	40,600,000	40,600,000	40,600,000	
Ayalaland Metro North Inc	338,173,283	338,173,283	338,173,283	
Soltea Commercial Corp.	21,100,000	21,100,000	21,100,000	
AyalaLand Offices, Inc. (Conso)	2,976,145	2,976,145	2,976,145	
Hillsford Property Corporation	145,080,303	145,080,303	145,080,303	
North Ventures Com Corp	4,796	4,796	4,796	
North Eastern Comm Corp	21,233,148	21,233,148	21,233,148	
Westview Commercial Ventures Corp.	263,000,000	263,000,000	263,000,000	
Sunnyfield E-Office Corp.	101,203,219	101,203,219	101,203,219	
Summerhill Commercial Ventures Corp.	35,357,335	35,357,335	35,357,335	
Ayalaland Offices Inc.	(1,982,584)	(1,982,584)	(1,982,584)	
Central Block Developers, Inc.	2,113	2,113	2,113	
ALO Prime Realty Corporat	815,000,000	815,000,000	815,000,000	
Greenhaven Property Venture, Inc.	2,282,816	2,282,816	2,282,816	
Ecosouth Hotel Ventures Inc.	2,731,294	2,731,294	2,731,294	
Eco North Resort Ventures	5,549,302	5,549,302	5,549,302	
Nuevocentro Inc.	278,040	278,040	278,040	
Ayalaland Medical Facilities Leasing Inc.	7,000,000	7,000,000	7,000,000	
Sub-Total	**2,441,646,977**	**2,441,646,977**	**2,441,646,977**	

	Amount Owed by ALI Subsidiaries to BAY CITY COMMERCIAL VENTURES, INC.			
	Receivable Balance per Bay City	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	511,072,354	511,072,354	511,072,354	
Arca South Commercial Ventures Corp.	634,613,238	634,613,238	634,613,238	
Sub-Total	**1,145,685,591**	**1,145,685,591**	**1,145,685,591**	

	Amount Owed by ALI Subsidiaries to BELLAVITA LAND CORP.			
	Receivable Balance per Bellavita	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	44,815	44,815	44,815	
MDC Build Plus, Inc.	10,560	10,560	10,560	
Avida Land Corporation	70,349,670	70,349,670	70,349,670	
Amaia Land Corporation	8,000	8,000	8,000	

Primavera Towncentre, Inc.	6,281,846	6,281,846	6,281,846	
North Eastern Commercial Corp.	30,000,000	30,000,000	30,000,000	
Amicassa Process Solutions, Inc	18,325	18,325	18,325	
Red Creek Properties, Inc.	1,899,778	1,899,778	1,899,778	
Sub-Total	**108,612,995**	**108,612,995**	**108,612,995**	**-**

	Amount Owed by ALI Subsidiaries to BG WEST PROPERTIES, INC.			
	Receivable Balance per BG WEST	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
BG West Properties, Inc	194,500	194,500	194,500	
Sub-Total	**194,500**	**194,500**	**194,500**	**-**

	Amount Owed by ALI Subsidiaries to CAGAYAN DE ORO GATEWAY CORP.			
	Receivable Balance per CDOGC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	180	180	180	
Ayala Property Management Corporation	4,000	4,000	4,000	
Avida Land Corporation	10,018,000	10,018,000	10,018,000	
Alveo Land Corporation	589,172	589,172	589,172	
Leisure and Allied Industries Phils. Inc.	(20,589)	(20,589)	(20,589)	
ALI Commercial Center, Inc.	2,815	2,815	2,815	
Accendo Commercial Corp	31,287	31,287	31,287	
North Triangle Depot Commercial Corp	2,380	2,380	2,380	
Cebu Holdings, Inc.	11,500	11,500	11,500	
North Ventures Commercial Corp.	2,500	2,500	2,500	
Summerhill Commercial Ventures Corp.	1,000,000	1,000,000	1,000,000	
Philippine Integrated Energy Solutions, Inc.	456,035	456,035	456,035	
Northgate Hotel Ventures, Inc.	8,488,134	8,488,134	8,488,134	
Sub-Total	**20,585,413**	**20,585,413**	**20,585,413**	

	Amount Owed by ALI Subsidiaries to CAPITOL CENTRAL COMMERCIAL			
	Receivable Balance per CAPITOL CENTRAL	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	72,287,766	72,287,766	72,287,766	
Sub-Total	**72,287,766**	**72,287,766**	**72,287,766**	

	Amount Owed by ALI Subsidiaries to CAVITE COMMERCIAL TOWNCENTER, INC.			
	Receivable Balance per CCTCI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Property Management Corporation	564,520	564,520	564,520	
Makati Development Corporation	39,280	39,280	39,280	
Avida Land Corporation	20,000	20,000	20,000	
Amaia Land Corporation	148,406	148,406	148,406	
Alveo Land Corporation	953,140	953,140	953,140	
Leisure and Allied Industries Phils. Inc.	269	269	269	
Cebu Holdings, Inc.	15,000	15,000	15,000	
Ayalaland Malls Synergies, Inc.	250,436	250,436	250,436	
Sub-Total	**1,991,052**	**1,991,052**	**1,991,052**	

	Amount Owed by ALI Subsidiaries to CEBU HOLDINGS, INC.			
	Receivable Balance per CHI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	16,082,922	16,082,922	16,082,922	
Ayala Prop. Mngt.Corp	18,643	18,643	18,643	
Makati Development Corp.	3,273,278	3,273,278	3,273,278	
Avida Land Corp.	658,703,490	658,703,490	658,703,490	
Amaia Land Corp.	72,241,530	72,241,530	72,241,530	
Amaia Southern Properties, Inc.	308,715	308,715	308,715	
Avencosouth Corp.	24,800,000	24,800,000	24,800,000	
Serendra Inc.	18,854	18,854	18,854	
Southportal Properties, Inc.	267,081,727	267,081,727	267,081,727	
Alveo Land Corp.	445,262	445,262	445,262	
Solinea, Inc.	251,366,843	251,366,843	251,366,843	
Leisure and Allied Industries Phils. Inc.	4,318	4,318	4,318	
Station Square East	2,380	2,380	2,380	
ALI Commercial Center, Inc.	1,011,301	1,011,301	1,011,301	
Accendo Commercial Corp	2,744,950	2,744,950	2,744,950	
Adauge Commercial Corp.	31,303	31,303	31,303	
North Triangle Depot	1,621,756	1,621,756	1,621,756	
Subic Bay Town Center Inc.	943	943	943	

Ayala Land Sales Inc.	3,359,316	3,359,316	3,359,316	
Ayala Land Intl Sales,Inc	10,049,621	10,049,621	10,049,621	
Ayalaland Metro North Inc	43,193	43,193	43,193	
Soltea Commercial Corp.	17,000,000	17,000,000	17,000,000	
NorthBeacon Commercial Corporation	19,354	19,354	19,354	
North Ventures Com Corp	2,800	2,800	2,800	
Westview Commercial Ventures Corp.	1,950	1,950	1,950	
Summerhill Commercial Ventures Corp.	24,700,112	24,700,112	24,700,112	
Central Block Developers, Inc.	52,044,042	52,044,042	52,044,042	
ALO Prime Realty Corporat	(1)	(1)	(1)	
South Innovative Theater Management Inc.	5,460	5,460	5,460	
ALI Triangle Hotel Ventur	8,000,000	8,000,000	8,000,000	
North Triangle Hotel Vent	18,783	18,783	18,783	
Amicassa Process Solution	2,335,212	2,335,212	2,335,212	
Eco North Resort Ventures	4,931,377	4,931,377	4,931,377	
CagayanDeOro Gateway Corp	132,881	132,881	132,881	
Ten Knots Development Corporation	0	0	0	
Ten Knots Philippines, Inc.	12,169,038	12,169,038	12,169,038	
Airswift Transport, Inc.	13,200,000	13,200,000	13,200,000	
Ayalaland Medical Facilities Leasing Inc.	7,028,255	7,028,255	7,028,255	
Sub-Total	**1,454,799,611**	**1,454,799,611**	**1,454,799,611**	

	Amount Owed by ALI Subsidiaries to CECI REALTY CORP.			
	Receivable Balance per CECI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	15,783,852	15,783,852	15,783,852	
Avida Land Corporation	387,517,161	387,517,161	387,517,161	
Amaia Land Corporation	2,295,264	2,295,264	2,295,264	
Aurora Properties, Inc.	14,686,603	14,686,603	14,686,603	
Vesta Properties Incorporated	17,807,095	17,807,095	17,807,095	
Alveo Land Corporation	4,873,333	4,873,333	4,873,333	
Leisure and Allied Industries Phils. Inc.	108,300	108,300	108,300	
Accendo Commercial Corp	10,000,000	10,000,000	10,000,000	
Ayalaland Metro North, Inc.	65,911	65,911	65,911	
Soltea Commercial Corp.	17,930,716	17,930,716	17,930,716	
Ayalaland Malls Synergies, Inc.	6,146,660	6,146,660	6,146,660	
Glensworth Development, Inc.	12,972,330	12,972,330	12,972,330	
Summerhill Commercial Ventures Corp.	53,185,677	53,185,677	53,185,677	
ALI Triangle Hotel Ventures, Inc.	1,005,894	1,005,894	1,005,894	
Capitol Central Hotel Ventures, Inc.	14,784	14,784	14,784	
Arcasouth Hotel Ventures, Inc.	707,115	707,115	707,115	
Southgateway Development Corp.	272	272	272	
Nuevocentro, Inc.	129,095	129,095	129,095	
HLC Development Corporation	2,950,000	2,950,000	2,950,000	
Ten Knots Philippines, Inc.	10,150,285	10,150,285	10,150,285	
AyalaLand Malls, Inc.	12,544	12,544	12,544	
Sub-Total	**558,342,892**	**558,342,892**	**558,342,892**	

	Amount Owed by ALI Subsidiaries to CENTRAL BLOCK DEVELOPERS, INC.			
	Receivable Balance per CBDI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	5,000,000	5,000,000	5,000,000	
Sub-Total	**5,000,000**	**5,000,000**	**5,000,000**	

	Amount Owed by ALI Subsidiaries to CRANS MONTANA HOLDINGS, INC.			
	Receivable Balance per Crans Montana	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	21,800,000	21,800,000	21,800,000	
Ayalaland Metro North, Inc.	19,000,000	19,000,000	19,000,000	
Summerhill Commercial Ventures Corp.	45,700,000	45,700,000	45,700,000	
HLC Development Corporation	2,600,000	2,600,000	2,600,000	
Ayalaland Medical Facilities Leasing Inc.	27,500,000	27,500,000	27,500,000	
Sub-Total	**116,600,000**	**116,600,000**	**116,600,000**	**-**

	Amount Owed by ALI Subsidiaries to CRIMSON FIELD ENTERPRISES			
	Receivable Balance per CFEI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Red Creek Properties, Inc.	61,568	61,568	61,568	
Sub-Total	**61,568**	**61,568**	**61,568**	**-**

	Amount Owed by ALI Subsidiaries to DIRECT POWER SERVICES INC.			
	Receivable Balance per DPSI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	104,000,000	104,000,000	104,000,000	

Serendra Inc.	7,491,235	7,491,235	7,491,235	
Alveo Land Corporation	2,710,280	2,710,280	2,710,280	
Alabang Commercial Corporation	11,435,032	11,435,032	11,435,032	
ALI-CII Development Corporation	2,856,705	2,856,705	2,856,705	
Station Square East Commercial Corp	17,567,432	17,567,432	17,567,432	
ALI Commercial Center, Inc.	32,092,840	32,092,840	32,092,840	
North Triangle Depot Commercial Corp	19,994,864	19,994,864	19,994,864	
First Gateway Real Estate Corp	6,799,126	6,799,126	6,799,126	
One Dela Rosa Property Development, Inc.	5,891,139	5,891,139	5,891,139	
NorthBeacon Commercial Corporation	9,795,929	9,795,929	9,795,929	
UP North Property Holdings, Inc.	28,462,927	28,462,927	28,462,927	
Asian I-Office Properties, Inc.	9,775,082	9,775,082	9,775,082	
Philippine Integrated Energy Solutions, Inc.	11,129,603	11,129,603	11,129,603	
Southcrest Hotel Ventures, Inc.	1,000,000	1,000,000	1,000,000	
Sub-Total	**271,002,195**	**271,002,195**	**271,002,195**	

	Amount Owed by ALI Subsidiaries to ECOHOLDINGS, INC.			
	Receivable Balance per ECI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ten Knots Philippines, Inc.	94,668,752	94,668,752	94,668,752	
Sub-Total	**94,668,752**	**94,668,752**	**94,668,752**	-

	Amount Owed by ALI Subsidiaries to FIRST LONGFIELD INVESTMENTS LTD.			
	Receivable Balance per FLIL	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Ayalaland Malls Synergies, Inc.	130,482	130,482	130,482	
ALI Capital Corp.	224,806,297	224,806,297	224,806,297	
Arca South Integrated Terminal, Inc.	10,798,555	10,798,555	10,798,555	
Airswift Transport, Inc.	81,881,250	81,881,250	81,881,250	
Sub-Total	**317,616,583**	**317,616,583**	**317,616,583**	

	Amount Owed by ALI Subsidiaries to FIVE STAR CINEMA			
	Receivable Balance per FSCI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Leisure and Allied Industries Phils. Inc.	17,000,000	17,000,000	17,000,000	
ALI Commercial Center, Inc.	349,650	349,650	349,650	
Summerhill Commercial Ventures Corp.	5,056,567	5,056,567	5,056,567	
South Innovative Theater Management Inc.	780,181	780,181	780,181	
Sub-Total	**23,186,398**	**23,186,398**	**23,186,398**	

	Amount Owed by ALI Subsidiaries to HILLSFORD PROPERTY CORP.			
	Receivable Balance per Hillsford	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
North Eastern Commercial Corp.	1,550	1,550	1,550	
Sub-Total	**1,550**	**1,550**	**1,550**	-

	Amount Owed by ALI Subsidiaries to LAGDIGAN LAND CORP.			
	Receivable Balance per Lagdigan	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	44,000,000	44,000,000	44,000,000	
Accendo Commercial Corp	10,000,000	10,000,000	10,000,000	
Summerhill Commercial Ventures Corp.	10,000,000	10,000,000	10,000,000	
Sub-Total	**64,000,000**	**64,000,000**	**64,000,000**	-

	Amount Owed by ALI Subsidiaries to LAGUNA TECHNOPARK, INC.			
	Receivable Balance per LTI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	5,088,447	5,088,447	5,088,447	
Ayala Prop. Mngt.Corp	1,233	1,233	1,233	
Makati Development Corp.	62,727	62,727	62,727	
Avida Land Corp.	48,126,921	48,126,921	48,126,921	
Amaia Land Corp.	2,000,000	2,000,000	2,000,000	
CoCode 5211	3,300,000	3,300,000	3,300,000	
ALI Commercial Center, Inc.	2,004	2,004	2,004	
Soltea Commercial Corp.	48,378,593	48,378,593	48,378,593	
North Eastern Comm Corp	120,000,000	120,000,000	120,000,000	
Summerhill Commercial Ventures Corp.	38,525,399	38,525,399	38,525,399	
North Triangle Hotel Vent	6,779,886	6,779,886	6,779,886	
Nuevocentro Inc.	509,148	509,148	509,148	
HLC Development Corporation	11,601	11,601	11,601	
Lepanto Ceramics, Inc.	4,496,717	4,496,717	4,496,717	
Sub-Total	**277,282,677**	**277,282,677**	**277,282,677**	-

	Amount Owed by ALI Subsidiaries to MAKATI CORNERSTONE LEASING CORP.

	Receivable Balance per Makati Cornerstorne	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	124,000,000	124,000,000	124,000,000	
Cebu Holdings, Inc.	35,000,000	35,000,000	35,000,000	
Sub-Total	**159,000,000**	**159,000,000**	**159,000,000**	**-**

	Amount Owed by ALI Subsidiaries to NORTH EASTERN COMMERCIAL CORP.			
	Receivable Balance per North Eastern	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Makati Development Corporation	19,276,529	19,276,529	19,276,529	
Avida Land Corporation	171,445	171,445	171,445	
Alveo Land Corporation	534,205	534,205	534,205	
Leisure and Allied Industries Phils. Inc.	2,637,084	2,637,084	2,637,084	
Station Square East Commercial Corp	9,050	9,050	9,050	
ALI Commercial Center, Inc.	16,800	16,800	16,800	
North Triangle Depot Commercial Corp	35,890	35,890	35,890	
Cebu Holdings, Inc.	470	470	470	
Ayalaland Metro North, Inc.	4,110	4,110	4,110	
Soltea Commercial Corp.	1,000	1,000	1,000	
Ayalaland Malls Synergies, Inc.	4,264,111	4,264,111	4,264,111	
North Ventures Commercial Corp.	180	180	180	
South Innovative Theater Management Inc.	5,530	5,530	5,530	
North Triangle Hotel Ventures, Inc.	26,752,101	26,752,101	26,752,101	
Sub-Total	**53,708,505**	**53,708,505**	**53,708,505**	

	Amount Owed by ALI Subsidiaries to NORTH TRIANGLE DEPOT COMMERCIAL CORP.			
	Receivable Balance per NTDCC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	58,999,847	58,999,847	58,999,847	
Amaia Land Corporation	39,241,516	39,241,516	39,241,516	
Avida Sales Corp	46,112	46,112	46,112	
CoCode 5211	41,800,000	41,800,000	41,800,000	
Alveo Land Corporation	900,981	900,981	900,981	
BG South Properties, Inc.	536,144	536,144	536,144	
Leisure and Allied Industries Phils. Inc.	3,064,404	3,064,404	3,064,404	
Station Square East Commercial Corp	91,172	91,172	91,172	
ALI Commercial Center, Inc.	1,852,080	1,852,080	1,852,080	
Accendo Commercial Corp	10,005,747	10,005,747	10,005,747	
Subic Bay Town Center Inc.	2,480	2,480	2,480	
Cebu Holdings, Inc.	85,000,000	85,000,000	85,000,000	
Cebu Leisure Company, Inc.	34,411	34,411	34,411	
Ayalaland Metro North, Inc.	10,307,542	10,307,542	10,307,542	
Ayalaland Malls Synergies, Inc.	16,300,000	16,300,000	16,300,000	
NorthBeacon Commercial Corporation	100,735	100,735	100,735	
North Ventures Commercial Corp.	36,485	36,485	36,485	
North Eastern Commercial Corp.	125,305	125,305	125,305	
Summerhill Commercial Ventures Corp.	16,513,810	16,513,810	16,513,810	
South Innovative Theater Management Inc.	117,580	117,580	117,580	
North Triangle Hotel Ventures, Inc.	7,300,000	7,300,000	7,300,000	
Econorth Resorts Ventures, Inc.	12,500,000	12,500,000	12,500,000	
Cagayan De Oro Gateway Corporation	25,746	25,746	25,746	
Ten Knots Philippines, Inc.	2,200,000	2,200,000	2,200,000	
Airswift Transport, Inc.	30,000,000	30,000,000	30,000,000	
Ayalaland Medical Facilities Leasing Inc.	23,000,000	23,000,000	23,000,000	
Sub-Total	**360,102,098**	**360,102,098**	**360,102,098**	

	Amount Owed by ALI Subsidiaries to NORTH VENTURES COMMERCIAL CORP.			
	Receivable Balance per NVCC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	11,000,000	11,000,000	11,000,000	
Ayala Property Management Corporation	153,157	153,157	153,157	
Makati Development Corporation	2,742,315	2,742,315	2,742,315	
Avida Land Corporation	20,521,144	20,521,144	20,521,144	
Amaia Land Corporation	40,163,749	40,163,749	40,163,749	
Avida Sales Corp	2,240	2,240	2,240	
Avencosouth Corp.	5,000,000	5,000,000	5,000,000	
Alabang Commercial Corporation	2,130	2,130	2,130	
Leisure and Allied Industries Phils. Inc.	3,128,397	3,128,397	3,128,397	
Station Square East Commercial Corp	4,660	4,660	4,660	
ALI Commercial Center, Inc.	238,948	238,948	238,948	
Accendo Commercial Corp	320	320	320	
North Triangle Depot Commercial Corp	149,595	149,595	149,595	
Cebu Holdings, Inc.	720	720	720	
Cebu Property Ventures & Dev't Corp.	34,300,000	34,300,000	34,300,000	
Ayalaland Metro North, Inc.	3,717,277	3,717,277	3,717,277	
Soltea Commercial Corp.	31,000,000	31,000,000	31,000,000	
Ayalaland Malls Synergies, Inc.	583,286	583,286	583,286	

NorthBeacon Commercial Corporation	200	200	200	
Summerhill Commercial Ventures Corp.	76,000,000	76,000,000	76,000,000	
South Innovative Theater Management Inc.	10,020	10,020	10,020	
Capitol Central Hotel Ventures, Inc.	10,000,000	10,000,000	10,000,000	
Cagayan De Oro Gateway Corporation	3,600	3,600	3,600	
HLC Development Corporation	23,200,000	23,200,000	23,200,000	
Airswift Transport, Inc.	10,000,000	10,000,000	10,000,000	
Ayalaland Medical Facilities Leasing Inc.	10,000,000	10,000,000	10,000,000	
Sub-Total	**281,921,758**	**281,921,758**	**281,921,758**	

	Amount Owed by ALI Subsidiaries to NORTHBEACON COMMERCIAL CORP.			
	Receivable Balance per NBCC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	20,000	20,000	20,000	
Amaia Land Corporation	79,463	79,463	79,463	
Avida Sales Corp	26,596	26,596	26,596	
Alveo Land Corporation	679,580	679,580	679,580	
Alabang Commercial Corporation	6,512	6,512	6,512	
Leisure and Allied Industries Phils. Inc.	48,656	48,656	48,656	
Station Square East Commercial Corp	10,248	10,248	10,248	
ALI Commercial Center, Inc.	113,894	113,894	113,894	
Tutuban Properties, Inc.	5,333	5,333	5,333	
Accendo Commercial Corp	11,252	11,252	11,252	
North Triangle Depot Commercial Corp	58,479	58,479	58,479	
Subic Bay Town Center Inc.	(24,627)	(24,627)	(24,627)	
Cebu Holdings, Inc.	201	201	201	
Ayalaland Metro North, Inc.	35,576	35,576	35,576	
Soltea Commercial Corp.	5,405	5,405	5,405	
Hillsford Property Corporation	5,898	5,898	5,898	
North Ventures Commercial Corp.	15,609	15,609	15,609	
North Eastern Commercial Corp.	8,005	8,005	8,005	
South Innovative Theater Management Inc.	1,270	1,270	1,270	
Nuevocentro, Inc.	1,412,714	1,412,714	1,412,714	
Cagayan De Oro Gateway Corporation	11,252	11,252	11,252	
APRISA Business Process Solutions, Inc	1,200	1,200	1,200	
AyalaLand Malls, Inc.	1,822	1,822	1,822	
Sub-Total	**2,534,339**	**2,534,339**	**2,534,339**	-

	Amount Owed by ALI Subsidiaries to NUEVOCENTRO, INC. & SUBSIDIARIES			
	Receivable Balance per Nuevocentro & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corp.	15,634	15,634	15,634	
Aurora Properties, Inc.	100	100	100	
Vesta Prop. Holdings, Inc	26,154	26,154	26,154	
CECI Realty Corp.	67,601	67,601	67,601	
Alviera Country Club, Inc	277,116,418	277,116,418	277,116,418	
Alveo Land Corp.	9,000	9,000	9,000	
Southgateway Development Corp.	1,100	1,100	1,100	
Nuevocentro Inc.	(277,116,418)	(277,116,418)	(277,116,418)	
Sub-Total	**119,590**	**119,590**	**119,590**	

	Amount Owed by ALI Subsidiaries to PHIL. INTEGRATED ENERGY SOLUTIONS, INC.			
	Receivable Balance per Phil. Energy	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Avida Land Corporation	68,609,085	68,609,085	68,609,085	
Amaia Land Corporation	7,002,366	7,002,366	7,002,366	
Accendo Commercial Corp	18,488,206	18,488,206	18,488,206	
North Triangle Depot Commercial Corp	16,378,476	16,378,476	16,378,476	
Cebu Holdings, Inc.	9,393,776	9,393,776	9,393,776	
Ayalaland Metro North, Inc.	(399,486)	(399,486)	(399,486)	
Soltea Commercial Corp.	4,900,000	4,900,000	4,900,000	
North Eastern Commercial Corp.	50,000,000	50,000,000	50,000,000	
Summerhill Commercial Ventures Corp.	219,164	219,164	219,164	
Greenhaven Property Venture, Inc.	1,068,602	1,068,602	1,068,602	
Southcrest Hotel Ventures, Inc.	2,106,642	2,106,642	2,106,642	
Northgate Hotel Ventures, Inc.	1,374,814	1,374,814	1,374,814	
Cagayan De Oro Gateway Corporation	1,971	1,971	1,971	
HLC Development Corporation	19,476,466	19,476,466	19,476,466	
Ten Knots Philippines, Inc.	20,139,332	20,139,332	20,139,332	
Sub-Total	**218,759,414**	**218,759,414**	**218,759,414**	

	Amount Owed by ALI Subsidiaries to PRIMAVERA CENTRE, INC.			
	Receivable Balance per Primavera	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corporation	401,906	401,906	401,906	
Avida Land Corporation	93,317	93,317	93,317	

Amaia Land Corporation	127,183	127,183	127,183	
First Gateway Real Estate Corp	837,584	837,584	837,584	
North Ventures Commercial Corp.	3,749	3,749	3,749	
AyalaLand Malls, Inc.	5,705	5,705	5,705	
Sub-Total	**1,469,444**	**1,469,444**	**1,469,444**	

	Amount Owed by ALI Subsidiaries to PRIME ORION PHILS., INC. & SUBSIDIARIES			
	Receivable Balance per POPI & Subs.	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
Arvo Commercial Corp	6,004,312	6,004,312	6,004,312	
Avida Land Corp.	93,946,547	93,946,547	93,946,547	
Amaia Land Corp.	37,596,017	37,596,017	37,596,017	
ALI Commercial Center, Inc.	3,840	3,840	3,840	
Accendo Commercial Corp	10,000,000	10,000,000	10,000,000	
North Triangle Depot	1,060	1,060	1,060	
Cebu Property Ventures & Devt Corp.	8,711,304	8,711,304	8,711,304	
Ayalaland Metro North Inc	35,127,932	35,127,932	35,127,932	
Soltea Commercial Corp.	250	250	250	
Summerhill Commercial Ventures Corp.	119,523,776	119,523,776	119,523,776	
North Triangle Hotel Vent	47,500	47,500	47,500	
Southgateway Development Corp.	50,013,816	50,013,816	50,013,816	
Ten Knots Philippines, Inc.	29,354,300	29,354,300	29,354,300	
Airswift Transport, Inc.	1,845,950	1,845,950	1,845,950	
Prime Orion Philippines, Inc.	6,915	6,915	6,915	
Sub-Total	**392,183,519**	**392,183,519**	**392,183,519**	-

	Amount Owed by ALI, ALI-Subsidiaries to PROW HOLDINGS, INC.			
	Receivable Balance per Prow	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Nuevocentro, Inc.	4,567,455	4,567,455	4,567,455	
Sub-Total	**4,567,455**	**4,567,455**	**4,567,455**	-

	Amount Owed by ALI-Subsidiaries to RED CREEK PROPERTIES, INC.			
	Receivable Balance per RCPI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Crimson Field Enterprises, Inc.	24,420	24,420	24,420	
Sub-Total	**24,420**	**24,420**	**24,420**	-

	Amount Owed by ALI, ALI-Subsidiaries to SERENDRA, INC.			
	Receivable Balance per Serendra	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corporation	37,907	37,907	37,907	
Ayala Property Management Corporation	333,119	333,119	333,119	
Makati Development Corporation	183,195	183,195	183,195	
Avida Land Corporation	247,400,000	247,400,000	247,400,000	
Amaia Land Corporation	2,436,500,000	2,436,500,000	2,436,500,000	
BellaVita Land Corp.	958	958	958	
BG West Properties, Inc	17,001,618	17,001,618	17,001,618	
Avencosouth Corp.	4,300,000	4,300,000	4,300,000	
Alveo Land Corporation	2,243,214	2,243,214	2,243,214	
Leisure and Allied Industries Phils. Inc.	56,800,000	56,800,000	56,800,000	
Accendo Commercial Corp	10,000,000	10,000,000	10,000,000	
Cebu Property Ventures & Dev't Corp.	156,200,000	156,200,000	156,200,000	
Ayalaland Metro North, Inc.	10,050,153	10,050,153	10,050,153	
Soltea Commercial Corp.	200,700,000	200,700,000	200,700,000	
North Eastern Commercial Corp.	20,000,000	20,000,000	20,000,000	
Summerhill Commercial Ventures Corp.	11,545,028	11,545,028	11,545,028	
North Triangle Hotel Ventures, Inc.	1,504	1,504	1,504	
HLC Development Corporation	139,600,000	139,600,000	139,600,000	
Sub-Total	**3,312,896,695**	**3,312,896,695**	**3,312,896,695**	-

	Amount Owed by ALI, ALI-Subsidiaries to SOLTEA			
	Receivable Balance per Soltea	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Avida Land Corporation	6,945	6,945	6,945	
Amaia Land Corporation	107,736	107,736	107,736	
Alveo Land Corporation	268,115	268,115	268,115	
ALI Commercial Center, Inc.	647,326	647,326	647,326	
North Triangle Depot Commercial Corp	38,988	38,988	38,988	
Cavite Commercial Towncenter Inc.	10,857	10,857	10,857	
Ayalaland Malls Synergies, Inc.	175,909	175,909	175,909	
Sub-Total	**1,255,875**	**1,255,875**	**1,255,875**	-

	Amount Owed by ALI-Subsidiaries to SOUTHGATEWAY DEVELOPMENT CORP.			
	Receivable Balance per Southgateway	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				

North Eastern Commercial Corp.	14,242,312	14,242,312	14,242,312	
Sub-Total	**14,242,312**	**14,242,312**	**14,242,312**	-

	Amount Owed by ALI-Subsidiaries to SOUTHPORTAL PROPERTIES, INC.			
	Receivable Balance per Southportal	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Summerhill Commercial Ventures Corp.	5,200,000	5,200,000	5,200,000	
Sub-Total	**5,200,000**	**5,200,000**	**5,200,000**	-

	Amount Owed by STATION SQUARE EAST COMMERCIAL CORP.			
	Receivable Balance per SSECC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Makati Development Corporation	143,000	143,000	143,000	
MDC Build Plus, Inc.	226,000	226,000	226,000	
Avida Land Corporation	50,176	50,176	50,176	
Amaia Land Corporation	184,399	184,399	184,399	
Avida Sales Corp	2,000	2,000	2,000	
BG North Properties Inc.	1,468,544	1,468,544	1,468,544	
BellaVita Land Corp.	14,978	14,978	14,978	
Serendra Inc.	877,681	877,681	877,681	
Alveo Land Corporation	493,439	493,439	493,439	
BG South Properties, Inc.	716,435	716,435	716,435	
Alabang Commercial Corporation	(0)	(0)	(0)	
Leisure and Allied Industries Phils. Inc.	396,323	396,323	396,323	
ALI Commercial Center, Inc.	998,395	998,395	998,395	
North Triangle Depot Commercial Corp	169,227	169,227	169,227	
Cebu Leisure Company, Inc.	15,765	15,765	15,765	
Soltea Commercial Corp.	600	600	600	
NorthBeacon Commercial Corporation	3,770	3,770	3,770	
UP North Property Holdings, Inc.	2,220	2,220	2,220	
North Ventures Commercial Corp.	400	400	400	
South Innovative Theater Management Inc.	7,430	7,430	7,430	
Amicassa Process Solutions, Inc	526,385	526,385	526,385	
Cagayan De Oro Gateway Corporation	400	400	400	
Sub-Total	**6,297,568**	**6,297,568**	**6,297,568**	

	Amount Owed by SUBIC BAY TOWN CENTER, INC.			
	Receivable Balance per SBTCI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Amaia Land Corporation	10,000,000	10,000,000	10,000,000	
Leisure and Allied Industries Phils. Inc.	8,639	8,639	8,639	
Station Square East Commercial Corp	1,020	1,020	1,020	
ALI Commercial Center, Inc.	17,170	17,170	17,170	
Accendo Commercial Corp	2,380	2,380	2,380	
North Triangle Depot Commercial Corp	30,400	30,400	30,400	
Ayalaland Metro North, Inc.	20,012,092	20,012,092	20,012,092	
Soltea Commercial Corp.	5,000,000	5,000,000	5,000,000	
North Ventures Commercial Corp.	300	300	300	
South Innovative Theater Management Inc.	1,740	1,740	1,740	
Sub-Total	**35,073,742**	**35,073,742**	**35,073,742**	-

	Amount Owed by ALI-Subsidiaries to SUMMERHILL COMMERCIAL VENTURES CORP.			
	Receivable Balance per Summerhill	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Arvo Commercial Corporation	1,500	1,500	1,500	
Makati Development Corporation	76,121	76,121	76,121	
Cebu Holdings, Inc.	740	740	740	
Ayalaland Metro North, Inc.	700	700	700	
AyalaLand Offices, Inc.	1,394	1,394	1,394	
Sub-Total	**80,455**	**80,455**	**80,455**	-

	Amount Owed by ACCENDO to SUNNYFIELD E-OFFICE CORP.			
	Receivable Balance per Sunnyfield	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
MDC Build Plus, Inc.	6,693	6,693	6,693	
Sub-Total	**6,693**	**6,693**	**6,693**	-
	-	-	-	

	Amount Owed by ALI to TEN KNOTS DEVELOPMENT CORP. & SUBSIDIARIES			
	Receivable Balance per TKDC & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Avida Land Corp.	7,000,000	7,000,000	7,000,000	
Amaia Land Corp.	44,000,000	44,000,000	44,000,000	
AYALALAND HOTELS AND RES	59,747	59,747	59,747	
DirectPower Services, Inc	9,458	9,458	9,458	

Ten Knots Philippines, Inc.	430,557,073	430,557,073	430,557,073	
Regent Horizons Conservation Company, Inc.	639,198	639,198	639,198	
Bacuit Bay Development Corporation	11,000	11,000	11,000	
Lio Resort Ventures Inc	209,808,754	209,808,754	209,808,754	
Sicogon Island Tourism Estate Corp.	129,942	129,942	129,942	
Airswift Transport, Inc.	3,736,559	3,736,559	3,736,559	
Sub-Total	**695,951,732**	**695,951,732**	**695,951,732**	-

	Amount Owed by ALI to TEN KNOTS PHILIPPINES, INC. & SUBSIDIARIES			
	Receivable Balance per TKPI & Subsidiaries	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI)				
Ecoholdings Company, Inc.	572,165	572,165	572,165	
Ten Knots Development Corporation	9,481,612	9,481,612	9,481,612	
Regent Horizons Conservation Company, Inc.	721,984	721,984	721,984	
Chirica Resorts Corporation	5,601,258	5,601,258	5,601,258	
Pangulasian Island Resort Corporation	4,236,380	4,236,380	4,236,380	
Airswift Transport, Inc.	10,087,171	10,087,171	10,087,171	
Sub-Total	**30,700,570**	**30,700,570**	**30,700,570**	-

	Amount Owed by ALI to VESTA PROPERTIES INCORPORATED			
	Receivable Balance per VPHI	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI)				
Arvo Commercial Corporation	18,154,104	18,154,104	18,154,104	
Avida Land Corporation	408,587,445	408,587,445	408,587,445	
Amaia Land Corporation	20,000,000	20,000,000	20,000,000	
Avencosouth Corp.	50,000,000	50,000,000	50,000,000	
Aurora Properties, Inc.	150	150	150	
CECI Realty Corp.	160	160	160	
Alveo Land Corporation	34,841,018	34,841,018	34,841,018	
Alabang Commercial Corporation	4,000,000	4,000,000	4,000,000	
Station Square East Commercial Corp	147,000,000	147,000,000	147,000,000	
Accendo Commercial Corp	39,800,000	39,800,000	39,800,000	
Cebu Holdings, Inc.	33,200,000	33,200,000	33,200,000	
Cebu Property Ventures & Dev't Corp.	185,000,000	185,000,000	185,000,000	
Ayala Land International Sales, Inc	6,300,000	6,300,000	6,300,000	
Ayalaland Metro North, Inc.	409,000,000	409,000,000	409,000,000	
Soltea Commercial Corp.	73,500,000	73,500,000	73,500,000	
North Eastern Commercial Corp.	150,000,000	150,000,000	150,000,000	
Summerhill Commercial Ventures Corp.	310,777,634	310,777,634	310,777,634	
North Triangle Hotel Ventures, Inc.	39,059,618	39,059,618	39,059,618	
Nuevocentro, Inc.	67,535,095	67,535,095	67,535,095	
HLC Development Corporation	60,000,000	60,000,000	60,000,000	
Ten Knots Philippines, Inc.	317,614,871	317,614,871	317,614,871	
Ayalaland Medical Facilities Leasing Inc.	100,402,500	100,402,500	100,402,500	
Sub-Total	**2,474,772,594**	**2,474,772,594**	**2,474,772,594**	-

	Amount Owed by ALI to WESTVIEW VENTURES COMMERCIAL CORP.			
	Receivable Balance per Westview	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI)				
Avida Land Corporation	326,282	326,282	326,282	
Amaia Land Corporation	267,966	267,966	267,966	
Leisure and Allied Industries Phils. Inc.	99,561	99,561	99,561	
Adauge Commercial Corp.	6,101	6,101	6,101	
Sub-Total	**699,910**	**699,910**	**699,910**	-

	Amount Owed by ALI to WHITEKNIGHT HOLDINGS, INC.			
	Receivable Balance per Whiteknight	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI)				
Summerhill Commercial Ventures Corp.	10,028,356	10,028,356	10,028,356	
Ayalaland Medical Facilities Leasing Inc.	2,928,214	2,928,214	2,928,214	
Sub-Total	**12,956,570**	**12,956,570**	**12,956,570**	-

Total Eliminated Receivables	**92,789,248,113**	**92,789,248,113**	**92,789,248,113**	**-**

AYALA LAND, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
As of December 31, 2017

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Lease Right 1/	Php 4,643,097,637	Php -	**(179,235,344)**	Php -	Php -	Php 4,463,862,293
	Php 4,643,097,637	**Php -**	**Php (179,235,344)**	**Php -**	**Php -**	**Php 4,463,862,293**

1/ Pertains to the right to use the property in Apulit Island expiring on December 31, 2029.
1/ Through the acquisition of POPI, ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR)
1/ NTDCC's development rights on an 8.3-hectare portion of the MRT Development Corporation.
1/ These intangible assets were included under non-current assets.

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
As of December 31, 2017

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE/ FACILITY AGREEMENT	CURRENT PORTION OF LONG-TERM DEBT (in '000)	LONG-TERM DEBT (NET OF CURRENT PORTION) (in '000)	Interest Rate	No. of Periodic Installment	Maturity Date
Ayala Land, Inc.:						
Bonds						
Philippine Peso	9,350,000	-	9,330,126	5.625%	N/A, Bullet	April 27, 2019
Philippine Peso	3,000,000	-	2,969,108	3.000%	N/A, Bullet	October 19, 2019
Philippine Peso	4,000,000	-	3,984,041	4.625%	N/A, Bullet	October 10, 2020
Philippine Peso	5,650,000	-	5,637,991	6.000%	N/A, Bullet	April 27, 2022
Philippine Peso	7,000,000	-	6,953,043	4.500%	N/A, Bullet	April 29, 2022
Philippine Peso	7,000,000	-	6,943,949	3.892%	N/A, Bullet	October 07, 2023
Philippine Peso	15,000,000	-	14,910,133	5.000%	N/A, Bullet	January 30, 2024
Philippine Peso	8,000,000	-	7,938,923	5.625%	N/A, Bullet	April 25, 2025
Philippine Peso	7,000,000	-	6,943,375	4.750%	N/A, Bullet	October 25, 2025
Philippine Peso	8,000,000	-	7,932,643	4.850%	N/A, Bullet	March 23, 2026
Philippine Peso	7,000,000	-	6,966,801	5.262%	N/A, Bullet	May 02, 2027
Philippine Peso	2,000,000	-	1,983,990	6.000%	N/A, Bullet	October 10, 2033
Fixed rate corporate notes (FXCNs)						
Philippine Peso	3,300,000	33,000	3,186,409	6.909%	6	January 19, 2021
Philippine Peso	5,000,000	50,000	4,800,000	4.500%	33	March 10, 2023
Philippine Peso	1,000,000	10,000	963,165	7.525%	11	January 19, 2026
Philippine Peso	4,300,000	-	3,980,934	2.750%	N/A, Bullet	April 17, 2019
Philippine Peso	3,100,000	-	3,082,433	3.250%	N/A, Bullet	February 23, 2019
Bank loan -US Dollar						
Bank Loan *(BPI)*	1,504,800	449,370	318,304	Variable	14	July 30, 2019
Bank Loan *(Chinabank)*	2,936,116	29,227	719,723	Variable	6	January 01, 2023
Bank loan -Peso		-	-			
Bank Loan *(BDO)*	10,000,000	82,000	8,118,000	4.500%	8	February 28, 2026
Bank Loan *(BPI)*	609,875	30,494	531,027	4.500%	Various	Various from 2021 to 2023
Bank Loan *(DBP)*	4,789,500	249,100	4,000,525	4.725%	Various	Various from 2020 to 2021
Bank Loan *(MBTC)*	10,000,000	-	9,953,060	4.949%	28	March 21, 2027
Bank Loan *(RCBC)*	1,900,000	38,000	1,824,000	4.500%	26	March 30, 2023
Sub-Total	**Php 131,440,291**	**Php 971,190**	**Php 123,971,703**			
Subsidiaries:						
Bonds	5,000,000	-	4,973,361	5.320%	N/A, Bullet	June 06, 2021
Fixed rate corporate notes (FXCNs)	Various	1,887,500	1,368,923	Various fixed rates	Various	Various from 2018 to 2020
Bank loan -Peso						
Bank Loan *(BPI)*	Various	2,189,985	8,764,212	Various fixed and floating rates	Various	Various from 2015 to 2027
Bank Loan *(DBP)*	Various	510,000	-	Fixed and floating rates	Various	December 28, 2018
Bank Loan *(LandBank of the Phil)*	Various	184,175	4,314,875	Various fixed rates	Various	Various from 2020 to 2022
Bank Loan *(PNB)*	Various	260,625	4,214,375	Various fixed rates	Various	Various from 2020 to 2027
Bank Loan (UBP)	3,000,000	562,500	2,437,500	5.25%	Various	March 30, 2022
Bank Loan *(RCBC)*	1,143,000	6,800	123,682	5.000%	12	January 30, 2020
Sub-Total		**Php 5,601,585**	**Php 26,196,928**			
		Php 6,572,775	**Php 150,168,631**			

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE F - Indebtedness to Related Parties
(Long Term Loans from Related Companies)
As of December 31, 2017

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF PERIOD (in '000)	BALANCE AT END OF PERIOD (in '000)
Bank of the Philippine Islands	Php 17,342,089	Php 12,292,473

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2017

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENT IS FILED	NATURE OFGUARANTEE
	NOT APPLICABLE			

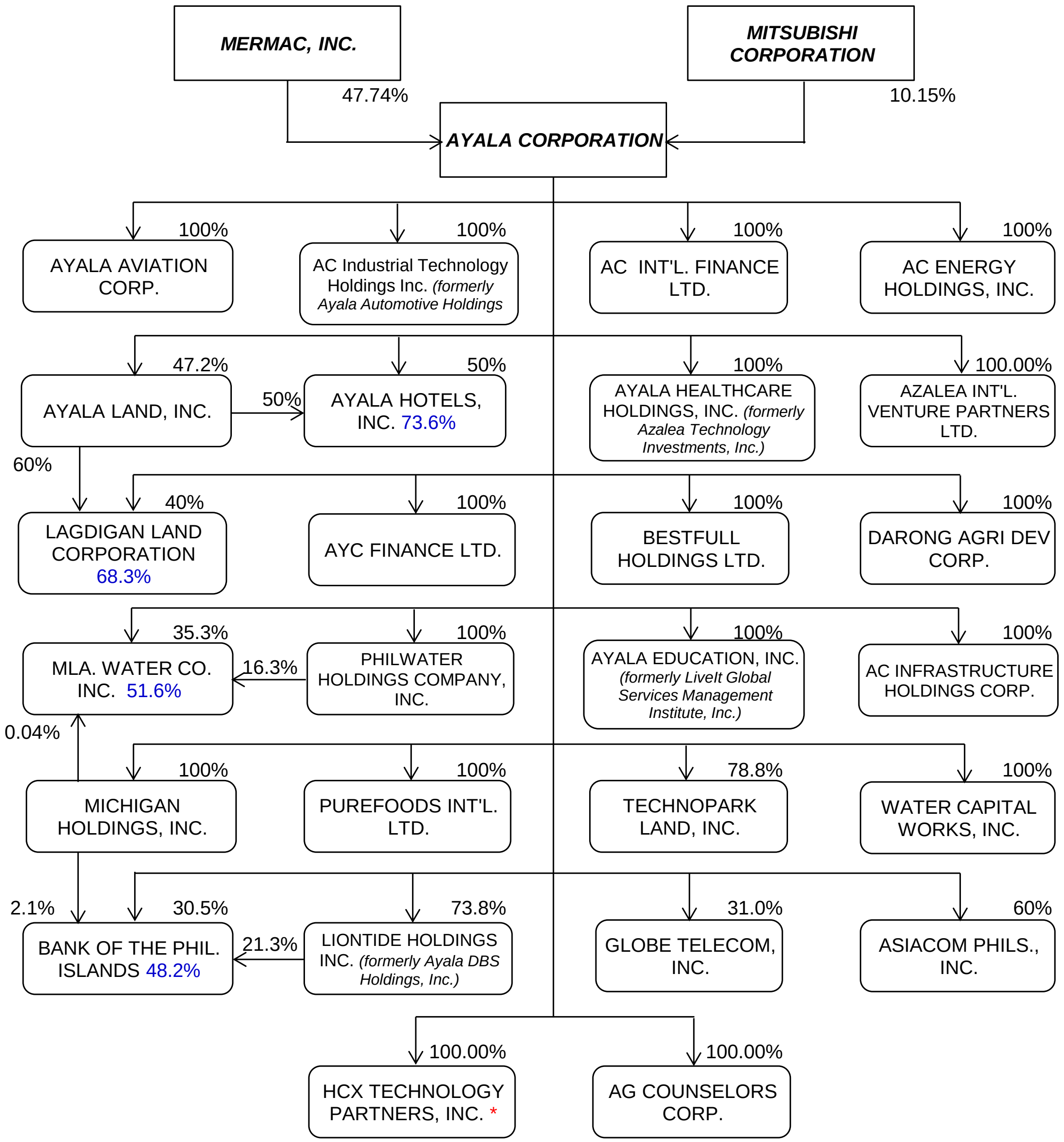
AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE H- CAPITAL STOCK
As of December 31, 2017

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AT SHOWN UNDER RELATED BALANCE SHEET CAPTION				NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION AND OTHER RIGHTS	NUMBER OF SHARES HELD BY RELATED PARTIES	DIRECTORS, OFFICERS AND EMPLOYEES	OTHERS
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common Stock	20,000,000,000	14,606,355,313	118,592,245		14,724,947,558	5,150,628	6,934,256,894	129,497,284	
Preferred Stock	15,000,000,000	13,066,494,759			13,066,494,759		12,163,180,640	480	

AYALA LAND, INC.
SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31,2017
Schedule I - Reconciliation Of Retained Earnings Available For Dividend Declaration

Items	Amount (In Thousands)	
Unappropriated Retained Earnings, beginning	**Php**	**40,078,570,823**
Less adjustments:		
Treasury shares		
Deferred tax assets		(3,013,405,728)
Fair Value adjustment		(593,852,588)
Unappropriated Retained Earnings, as adjusted, beginning		**36,471,312,507**
Net Income based on the face of AFS	Php	15,612,442,250
Less: Non-actual/unrealized income net of tax		
Amount of provision for deferred tax during the year		386,815,052
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain		
Fair value adjustment (M2M gains)		
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP – loss		
Loss on fair value adjustment of investment property (after tax)		
Net Income Actual/Realized	**Php**	**15,999,257,302**
Less: Other adjustments		
Dividend declarations during the period		(7,127,069,123)
Effects of prior period adjustments		
Reversal of Treasury shares		
Additional Retained Earnings Appropriated		-
		8,872,188,180
Unappropriated Retained Earnings, as adjusted, ending		**45,343,500,687**

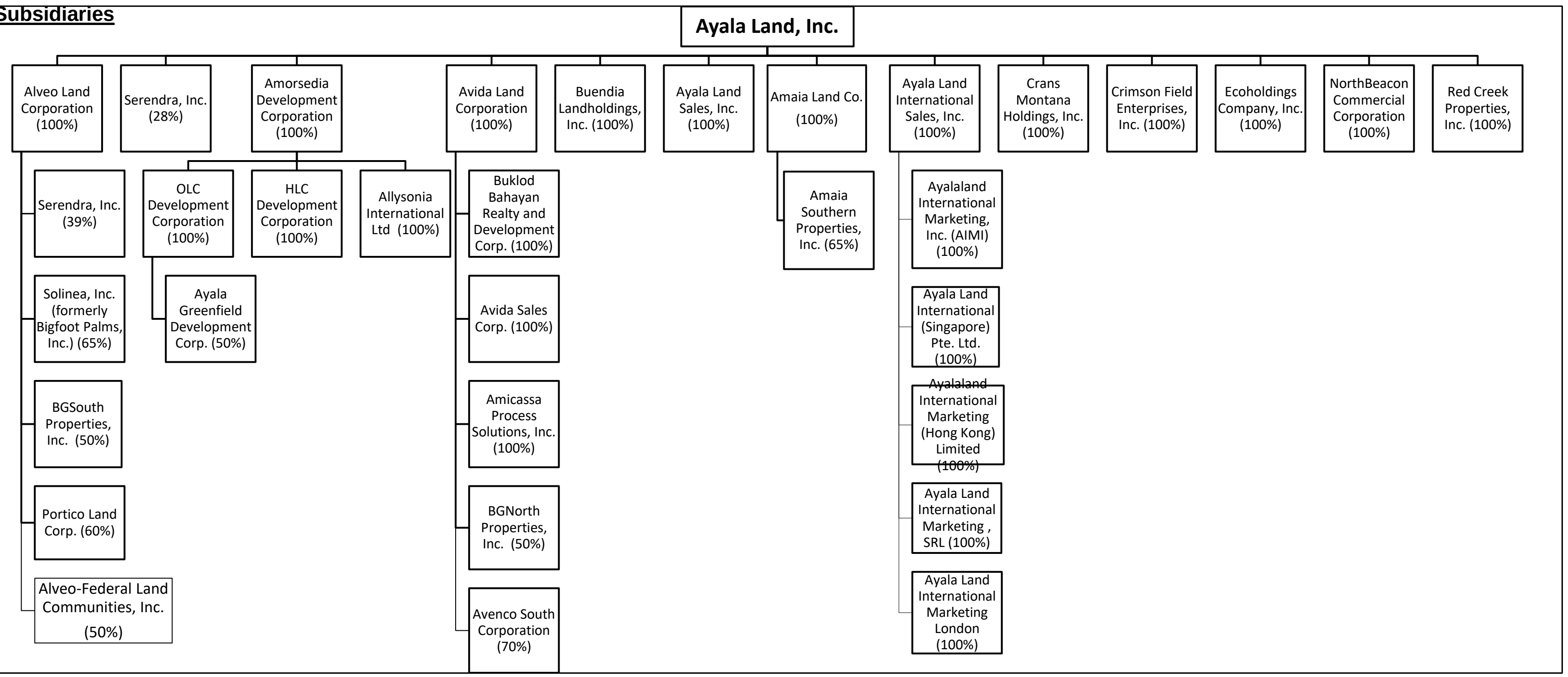
AYALA CORPORATION AND SUBSIDIARIES
SCHEDULE J - CORPORATE ORGANIZATIONAL CHART
As of December 31, 2017

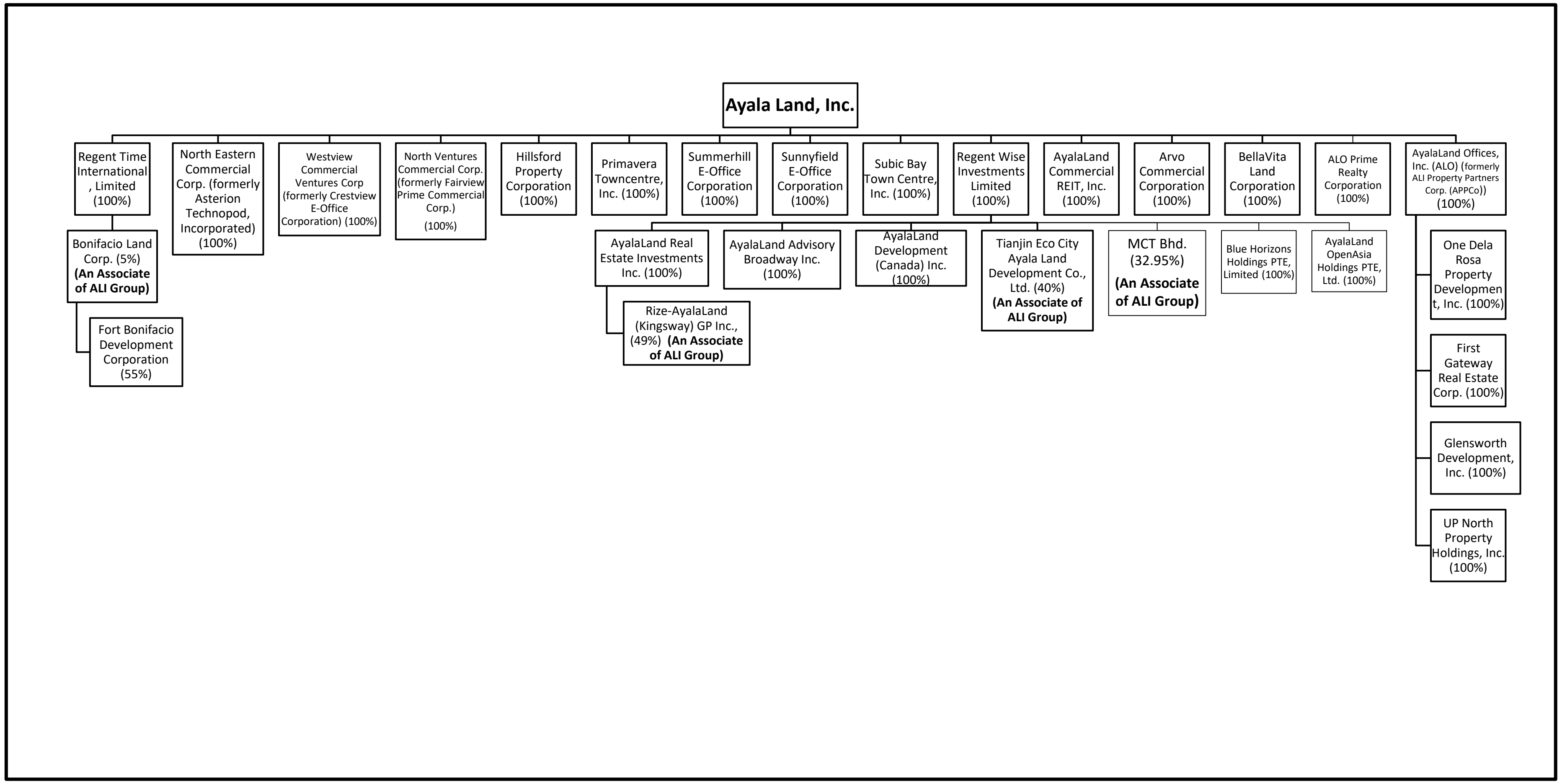


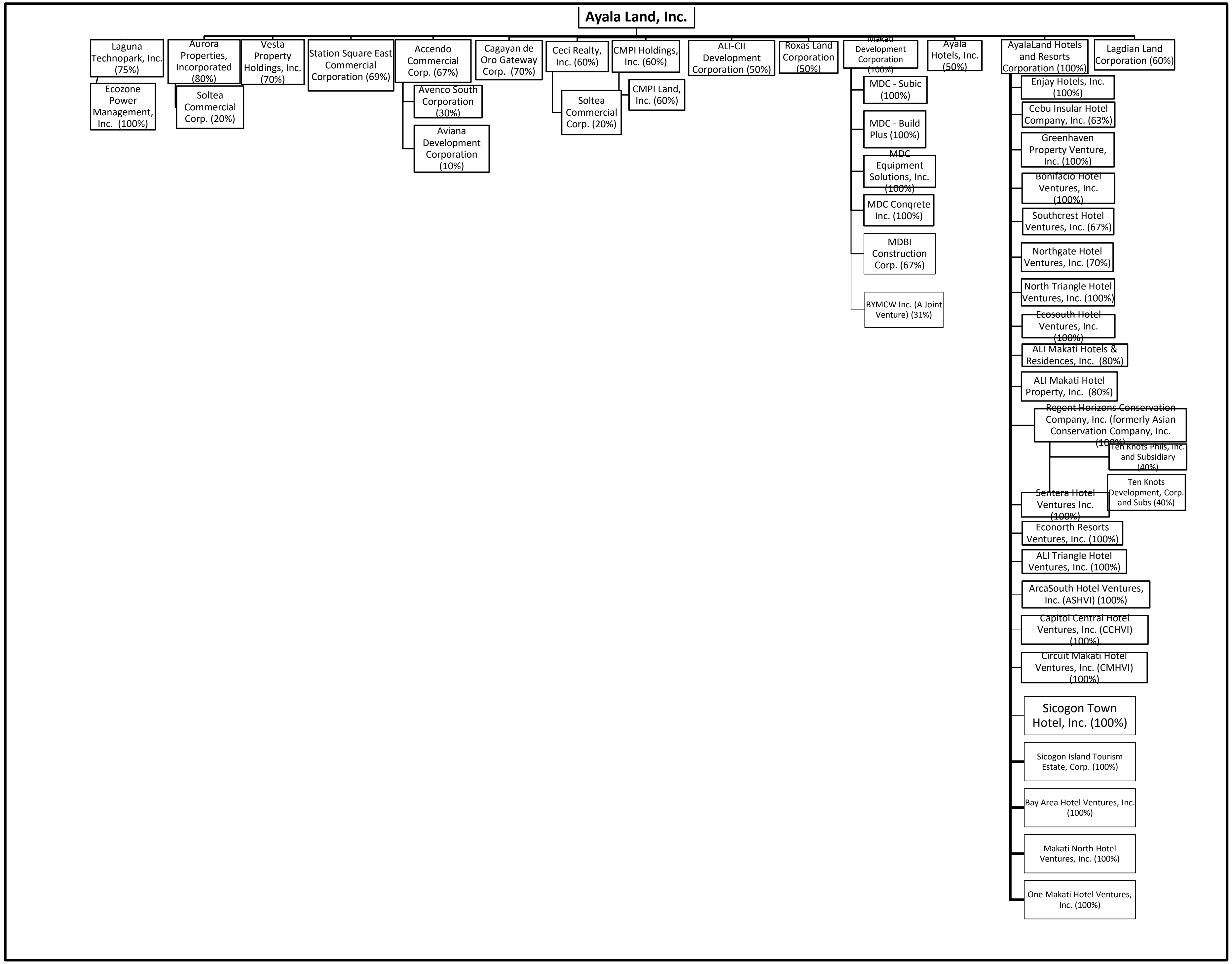
** Investment in HCXI was made in October 2016*

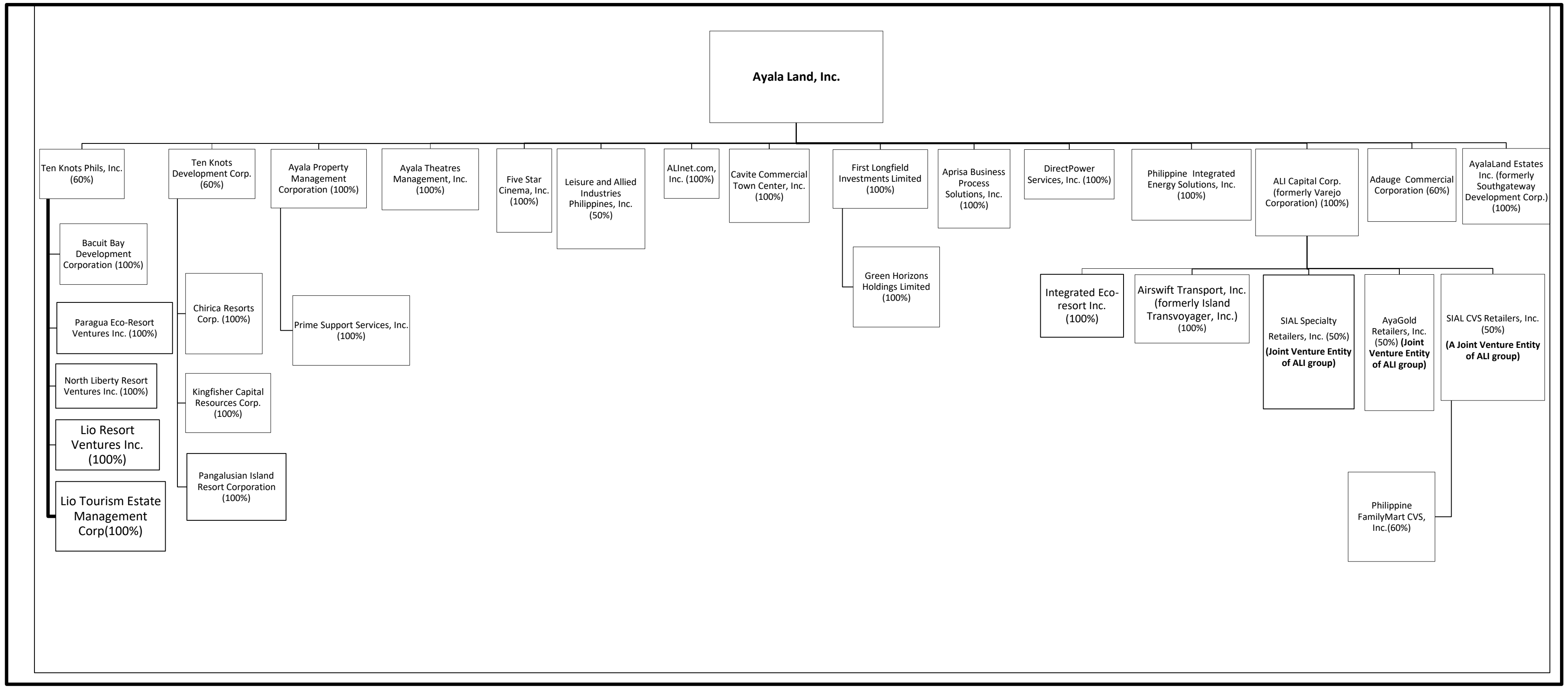
Legend:
% of ownership appearing on top of the box - direct economic % of ownership
% of ownership appearing inside the box - effective % of economic ownership

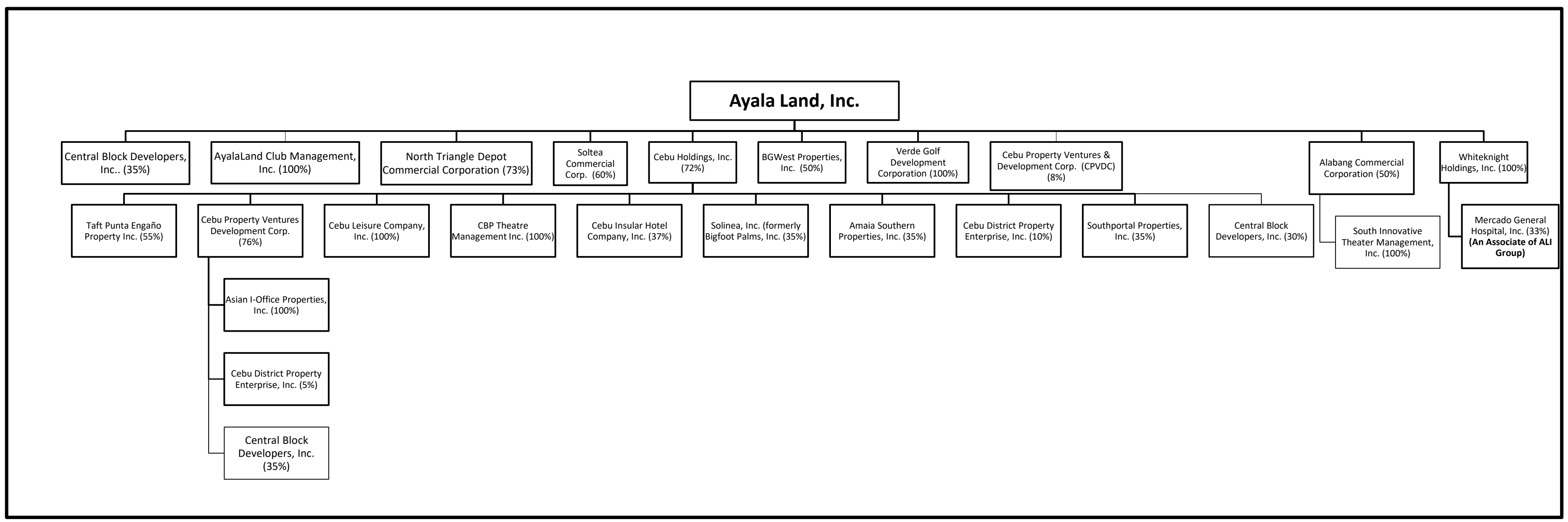
Subsidiaries

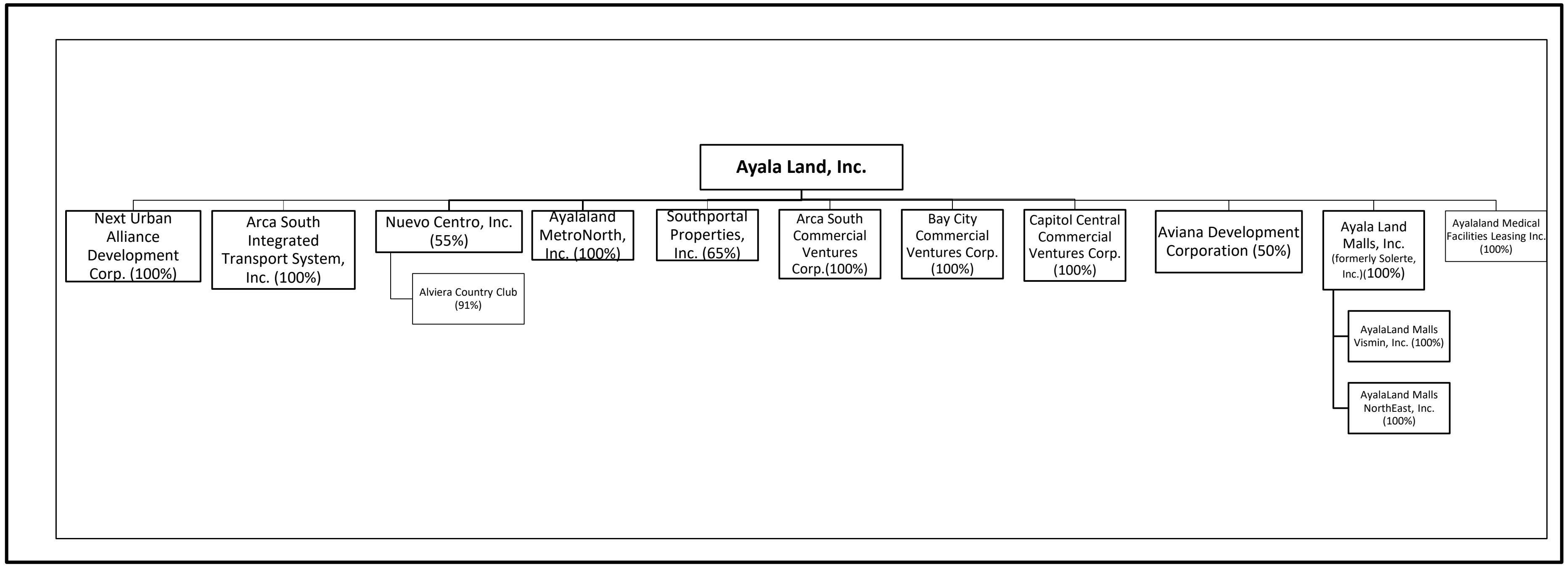


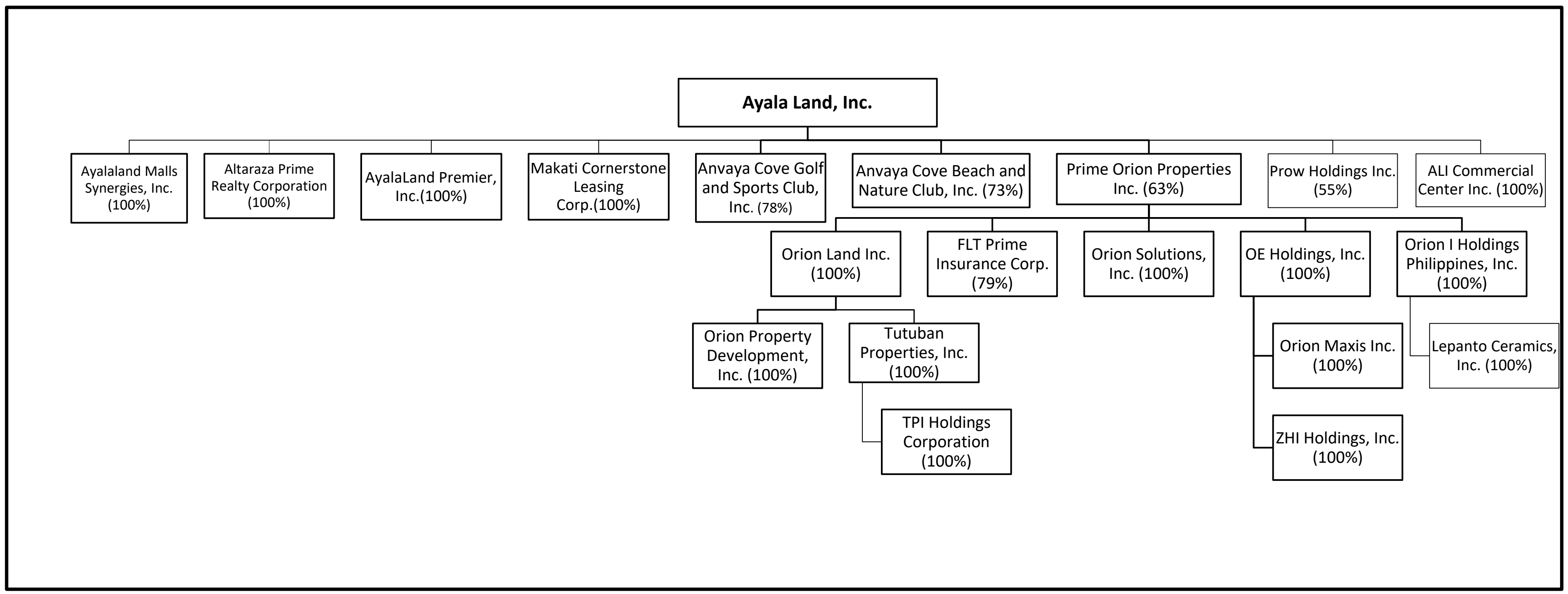

Ayala Land, Inc.
Regent Time International, Limited (100%)
Bonifacio Land Corp. (5%) (An Associate of ALI Group)
Fort Bonifacio Development Corporation (55%)
North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated) (100%)
Westview Commercial Ventures Corp (formerly Crestview E-Office Corporation) (100%)
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp.) (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AyalaLand Real Estate Investments Inc. (100%)
Rize-AyalaLand (Kingsway) GP Inc., (49%) (An Associate of ALI Group)
AyalaLand Advisory Broadway Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) (An Associate of ALI Group)
MCT Bhd. (32.95%) (An Associate of ALI Group)
Blue Horizons Holdings PTE, Limited (100%)
AyalaLand OpenAsia Holdings PTE, Ltd. (100%)
AyalaLand Commercial REIT, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
ALO Prime Realty Corporation (100%)
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) (100%)
One Dela Rosa Property Development, Inc. (100%)
First Gateway Real Estate Corp. (100%)
Glensworth Development, Inc. (100%)
UP North Property Holdings, Inc. (100%)


Ayala Land, Inc.
Laguna Technopark, Inc. (75%)
Ecozone Power Management, Inc. (100%)
Aurora Properties, Incorporated (80%)
Soltea Commercial Corp. (20%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana Development Corporation (10%)
Cagayan de Oro Gateway Corp. (70%)
Ceci Realty, Inc. (60%)
Soltea Commercial Corp. (20%)
CMPI Holdings, Inc. (60%)
CMPI Land, Inc. (60%)
ALI-CII Development Corporation (50%)
Roxas Land Corporation (50%)
Makati Development Corporation (100%)
MDC - Subic (100%)
MDC - Build Plus (100%)
MDC Equipment Solutions, Inc. (100%)
MDC Conqrete Inc. (100%)
MDBI Construction Corp. (67%)
BYMCW Inc. (A Joint Venture) (31%)
Ayala Hotels, Inc. (50%)
AyalaLand Hotels and Resorts Corporation (100%)
Enjay Hotels, Inc. (100%)
Cebu Insular Hotel Company, Inc. (63%)
Greenhaven Property Venture, Inc. (100%)
Bonifacio Hotel Ventures, Inc. (100%)
Southcrest Hotel Ventures, Inc. (67%)
Northgate Hotel Ventures, Inc. (70%)
North Triangle Hotel Ventures, Inc. (100%)
Ecosouth Hotel Ventures, Inc. (100%)
ALI Makati Hotels & Residences, Inc. (80%)
ALI Makati Hotel Property, Inc. (80%)
Regent Horizons Conservation Company, Inc. (formerly Asian Conservation Company, Inc. (100%)
Ten Knots Phils, Inc. and Subsidiary (40%)
Ten Knots Development, Corp. and Subs (40%)
Sentera Hotel Ventures Inc. (100%)
Econorth Resorts Ventures, Inc. (100%)
ALI Triangle Hotel Ventures, Inc. (100%)
ArcaSouth Hotel Ventures, Inc. (ASHVI) (100%)
Capitol Central Hotel Ventures, Inc. (CCHVI) (100%)
Circuit Makati Hotel Ventures, Inc. (CMHVI) (100%)
Sicogon Town Hotel, Inc. (100%)
Sicogon Island Tourism Estate, Corp. (100%)
Bay Area Hotel Ventures, Inc. (100%)
Makati North Hotel Ventures, Inc. (100%)
One Makati Hotel Ventures, Inc. (100%)
Lagdian Land Corporation (60%)

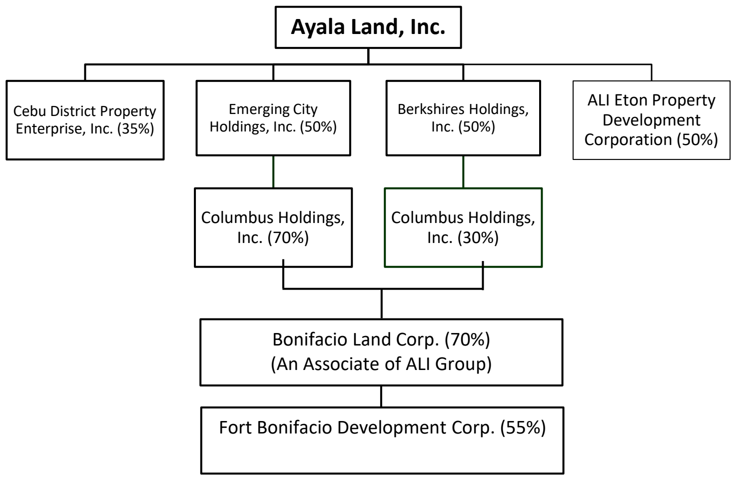

Ayala Land, Inc.
Ten Knots Phils, Inc. (60%)
Bacuit Bay Development Corporation (100%)
Paragua Eco-Resort Ventures Inc. (100%)
North Liberty Resort Ventures Inc. (100%)
Lio Resort Ventures Inc. (100%)
Lio Tourism Estate Management Corp(100%)
Ten Knots Development Corp. (60%)
Chirica Resorts Corp. (100%)
Kingfisher Capital Resources Corp. (100%)
Pangalusian Island Resort Corporation (100%)
Ayala Property Management Corporation (100%)
Prime Support Services, Inc. (100%)
Ayala Theatres Management, Inc. (100%)
Five Star Cinema, Inc. (100%)
Leisure and Allied Industries Philippines, Inc. (50%)
ALInet.com, Inc. (100%)
Cavite Commercial Town Center, Inc. (100%)
First Longfield Investments Limited (100%)
Green Horizons Holdings Limited (100%)
Aprisa Business Process Solutions, Inc. (100%)
DirectPower Services, Inc. (100%)
Philippine Integrated Energy Solutions, Inc. (100%)
ALI Capital Corp. (formerly Varejo Corporation) (100%)
Integrated Eco-resort Inc. (100%)
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.) (100%)
SIAL Specialty Retailers, Inc. (50%) (Joint Venture Entity of ALI group)
AyaGold Retailers, Inc. (50%) (Joint Venture Entity of ALI group)
SIAL CVS Retailers, Inc. (50%) (A Joint Venture Entity of ALI group)
Philippine FamilyMart CVS, Inc.(60%)
Adauge Commercial Corporation (60%)
AyalaLand Estates Inc. (formerly Southgateway Development Corp.) (100%)


Ayala Land, Inc.
Central Block Developers, Inc.. (35%)
AyalaLand Club Management, Inc. (100%)
North Triangle Depot Commercial Corporation (73%)
Soltea Commercial Corp. (60%)
Cebu Holdings, Inc. (72%)
BGWest Properties, Inc. (50%)
Verde Golf Development Corporation (100%)
Cebu Property Ventures & Development Corp. (CPVDC) (8%)
Alabang Commercial Corporation (50%)
Whiteknight Holdings, Inc. (100%)
Taft Punta Engaño Property Inc. (55%)
Cebu Property Ventures Development Corp. (76%)
Asian I-Office Properties, Inc. (100%)
Cebu District Property Enterprise, Inc. (5%)
Central Block Developers, Inc. (35%)
Cebu Leisure Company, Inc. (100%)
CBP Theatre Management Inc. (100%)
Cebu Insular Hotel Company, Inc. (37%)
Solinea, Inc. (formerly Bigfoot Palms, Inc. (35%)
Amaia Southern Properties, Inc. (35%)
Cebu District Property Enterprise, Inc. (10%)
Southportal Properties, Inc. (35%)
Central Block Developers, Inc. (30%)
South Innovative Theater Management, Inc. (100%)
Mercado General Hospital, Inc. (33%) (An Associate of ALI Group)

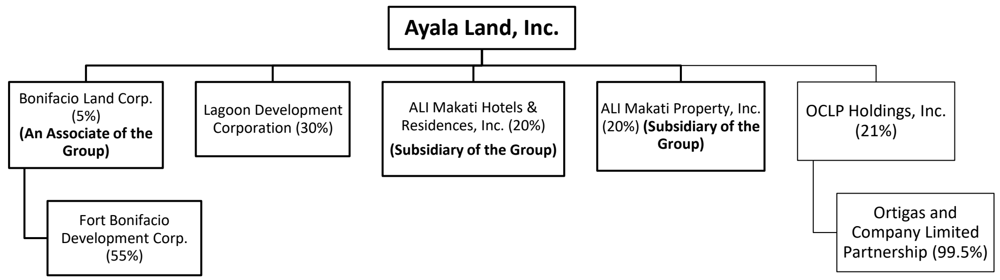

Ayala Land, Inc.
Next Urban Alliance Development Corp. (100%)
Arca South Integrated Transport System, Inc. (100%)
Nuevo Centro, Inc. (55%)
Alviera Country Club (91%)
Ayalaland MetroNorth, Inc. (100%)
Southportal Properties, Inc. (65%)
Arca South Commercial Ventures Corp.(100%)
Bay City Commercial Ventures Corp. (100%)
Capitol Central Commercial Ventures Corp. (100%)
Aviana Development Corporation (50%)
Ayala Land Malls, Inc. (formerly Solerte, Inc.)(100%)
AyalaLand Malls Vismin, Inc. (100%)
AyalaLand Malls NorthEast, Inc. (100%)
Ayalaland Medical Facilities Leasing Inc. (100%)


Ayala Land, Inc.
Ayalaland Malls Synergies, Inc. (100%)
Altaraza Prime Realty Corporation (100%)
AyalaLand Premier, Inc.(100%)
Makati Cornerstone Leasing Corp.(100%)
Anvaya Cove Golf and Sports Club, Inc. (78%)
Anvaya Cove Beach and Nature Club, Inc. (73%)
Prime Orion Properties Inc. (63%)
Prow Holdings Inc. (55%)
ALI Commercial Center Inc. (100%)
Orion Land Inc. (100%)
FLT Prime Insurance Corp. (79%)
Orion Solutions, Inc. (100%)
OE Holdings, Inc. (100%)
Orion I Holdings Philippines, Inc. (100%)
Orion Property Development, Inc. (100%)
Tutuban Properties, Inc. (100%)
TPI Holdings Corporation (100%)
Orion Maxis Inc. (100%)
ZHI Holdings, Inc. (100%)
Lepanto Ceramics, Inc. (100%)

Direct Investments in Joint Ventures



Direct Investments in Associates



AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE K - LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
As of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		√		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
	Amendments to PFRS 1: Borrowing costs			√
	Amendments to PFRS 1: Meaning of 'Effective PFRSs		**Not early adopted**	
PFRS 2	Share-based Payment	√		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	√		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
	Amendments to PFRS 2: Definition of Vesting Condition	√		
PFRS 3 (Revised)	Business Combinations	√		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	√		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	√		
	Amendments to PFRS 5: Changes in Methods of Disposal	√		
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PFRS 7: Transition	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Amendments to PFRS 7: Servicing Contracts	√		
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		**Not early adopted**	
PFRS 8	Operating Segments	√		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	√		
PFRS 9	Financial Instruments (2010 version)		**Not early adopted**	
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		**Not early adopted**	
	Financial Instruments (2014 or final version)		**Not early adopted**	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		**Not early adopted**	
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
	Amendment to PFRS 10: Investment Entities: Applying the Consolidation Exception			√
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		**Deferred**	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 10: Consolidated Financial Statement: PFRS 12: Disclosure of Interest in Other Entities and PAS 28: Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation exception			√
PFRS 11	Joint Arrangements	√		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			√
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
PFRS 13	Fair Value Measurement	√		
	Amendments to PFRS 13: Short-term receivable and payables	√		
	Amendments to PFRS 13: Portfolio Exception	√		
PFRS 14	Regulatory Deferral Accounts			√
PFRS 15	Revenue from Contracts with Customers		**Not early adopted**	
PFRS 16	Leases		**Not early adopted**	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	√		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
	Amendments to PAS 1: Clarification of the requirements for comparative information	√		
	Amendment to PAS 1: Disclosure Initiative	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
	Amendments to PAS 7: Disclosure Initiative	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Balance Sheet Date	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12: Recovery of Underlying Assets			√
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized losses			√
PAS 16	Property, Plant and Equipment	√		
	Amendment to PAS 16: Classification of servicing equipment	√		
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			√
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			√
	Amendments to PAS 16 and PAS 41: Bearer Plants			√
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			√
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			√
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate	√		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
	Amendments to PAS 24: Key Management Personnel			√
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27 (Amended)	Separate Financial Statements	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
	Amendment to PAS 27: Equity Method in Separate Financial Statements			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		√	
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures	√		
	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Amendment to PAS 32: Classification of Rights Issues	√		
	Amendment to PAS 32: Presentation – Tax effect of distribution to holders of equity instrument	√		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	√		
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	√		
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'	√		
PAS 36	Impairment of Assets	√		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			√
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	√		
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option	√		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	√		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	√		
	Amendment to PAS 39: Eligible Hedged Items			√
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			√
PAS 40	Investment Property		√	
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40		√	
PAS 41	Agriculture			√
	Amendment to PAS 16 and PAS 41: Bearer Plants			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			√
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			√
IFRIC 8	*Scope of PFRS 2*	√		
IFRIC 9	Reassessment of Embedded Derivatives	√		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	√		
IFRIC 10	*Interim Financial Reporting and Impairment*	√		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	√		
IFRIC 12	Service Concession Arrangements	√		
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 15	Agreements for the Construction of Real Estate*			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies			√
IFRIC 22	Foreign Currency Transactions and Advance Consideration	√		
IFRIC 23	Uncertainty over Income tax treatments		**Not early adopted**	
SIC-7	Introduction of the Euro			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	√		
SIC-15	Operating Leases - Incentives	√		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	√		
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√
PIC 2016-02	PAS 32 and PAS 38: Accounting Treatment of Club Shares Held by an Entity	√		

* *Effectivity has been deferred by the SEC and FRSC*

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L - FINANCIAL RATIOS
December 31, 2017

Schedule L - Financial Ratios

Current / liquidity ratios

	2017	2016
	(Amounts inThousands)	
Current Assets	218,560,955	211,012,113
Current liabilities	184,623,237	188,203,171
Current ratios	**1.18**	**1.12**
Current Assets	218,560,955	211,012,113
Inventory	62,192,378	66,727,945
Quick assets	156,368,577	144,284,168
Current liabilities	184,623,237	188,203,171
Quick ratios	**0.85**	**0.77**

Solvency/ debt-to-equity ratios

	2017	2016
	(Amounts inThousands)	
Short-term debt	17,644,350	24,244,350
Current portion of long-term debt	6,572,775	5,187,111
Long-term debt - net of current portion	150,168,631	130,369,877
Debt	**174,385,756**	**159,801,338**
Equity *	192,263,358	172,683,187
Less: Unrealized gain - AFS	40,530	43,594
Equity, net of unrealized gain	**192,222,829**	**172,639,593**
Debt to equity ratio	**0.91**	**0.93**
Debt	174,385,756	159,801,338
Cash and cash equivalents	20,998,089	20,904,330
Short term investments	4,739,734	207,671
Financial assets at FV through P&L	82,978	1,529,088
Net Debt	148,564,955	137,160,249
Equity*	192,263,358	172,683,187
Net Debt to equity ratio	**0.77**	**0.79**

Asset to equity ratios

	2017	2016
	(Amounts inThousands)	
Total Assets	573,992,334	536,432,995
Total Equity*	192,263,358	172,683,187
Asset to Equity Ratio	**2.99**	**3.11**

Interest rate coverage ratio

	2017	2016
	(Amounts inThousands)	
Net income after tax	**28,165,659**	**24,431,785**
Add:		
Provision for income tax	9,824,981	8,231,662
Interest expense and other financing charges	7,914,326	7,314,387
Other charges	1,196,076	1,053,207
	18,935,383	16,599,256
Less:		
Interest and investment income	6,084,995	5,713,957
EBIT	**41,016,047**	**35,317,084**
Depreciation and amortization	**5,179,792**	5,874,560
EBITDA	**46,195,839**	**41,191,644**
Interest expense	7,730,454	6,952,183

Short-term debt	***337,384***	***837,918***
Long-term debt	***7,393,070***	***6,114,265***
Interest rate coverage ratio	**6.0**	**5.9**

	2017	**2016**
	(Amounts inThousands)	
Profitability ratios		
Net Income Attributable to Equity holders of Ayala Land, Inc.	25,304,965	20,908,011
Revenue	142,296,951	124,628,795
Net income margin	**17.8%**	**16.8%**
Net income after tax	28,165,659	24,431,785
Total Assets CY	573,992,334	536,432,995
Total Assets PY	536,432,995	442,341,800
Average Total Assets	555,212,665	489,387,398
Return on total assets	**5.1%**	**5.0%**
Net income after tax	25,304,965	20,908,011
Total Equity-CY	166,754,611	147,705,095
Total Equity-PY	147,705,095	133,730,704
Average total equity	157,229,853	140,717,900
Return on Equity	**16.1%**	**14.9%**

P7.0 Billion Fixed Rate Bonds due 2027

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**7,000,000,000.00**	**7,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,767,500.00	1,767,500.00
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	26,250,000.00
Estimated Professional Expenses & Agency fees	9,000,000.00	3,161,187.20
Marketing/Printing/Photocopying Costs and OPEs	5,000,000.00	990,430.17
Listing Fee	100,000.00	100,000.00
Total Expenses	74,617,500.00	67,269,117.37
Net Proceeds	**6,925,382,500.00**	**6,932,730,882.63**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.92 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2023 and P3.0 Billion Homestarter Bonds due 2019

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**10,000,000,000.00**	**10,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,525,000.00	2,525,000.00
Documentary Stamp Tax	50,000,000.00	50,000,000.00
Underwriting Fee	44,250,000.00	26,250,000.00
Estimated Professional Expenses & Agency fees	9,000,000.00	2,960,000.00
Marketing/Printing/Photocopying Costs and OPEs	5,000,000.00	201,849.33
Listing Fee	200,000.00	200,000.00
Total Expenses	110,975,000.00	82,136,849.33
Net Proceeds	**9,889,025,000.00**	**9,917,863,150.67**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P9.9 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2025

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**7,000,000,000.00**	**8,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,767,500.00	1,767,500.00
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	26,250,000.00
Estimated Professional Expenses & Agency fees	7,500,000.00	2,301,963.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	248,847.18
Listing Fee	100,000.00	100,000.00
Total Expenses	73,117,500.00	65,668,310.18
Net Proceeds	**6,926,882,500.00**	**6,934,331,689.82**

Balance of Proceeds as of 12.31.2017 NIL

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

P8.0 Billion Fixed Rate Bonds due 2026

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**8,000,000,000.00**	**8,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,588,125.00	2,588,125.00
Documentary Stamp Tax	40,000,000.00	40,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
Estimated Professional Expenses & Agency fees	7,500,000.00	3,651,246.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	398,937.60
Listing Fee	100,000.00	100,000.00
Total Expenses	82,688,125.00	76,738,308.60
Net Proceeds	**7,917,311,875.00**	**7,923,261,691.40**

Balance of Proceeds as of 12.31.2017 NIL

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2022

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**7,000,000,000.00**	**7,000,000,000.00**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	-	-
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	25,724,999.99
Estimated Professional Expenses & Agency fees	5,740,000.00	3,058,763.32
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	19,307.59
Listing Fee	100,000.00	100,000.00
Total Expenses	69,590,000.00	63,903,070.90
Net Proceeds	**6,930,410,000.00**	**6,936,096,929.10**

Balance of Proceeds as of 12.31.2017 NIL

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

P5.0 Billion Fixed Rate Bonds due 2021

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**5,000,000,000.00**	**5,000,000,000.00**
Expenses		
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration	1,812,500.00	1,812,500.00
Legal Research Fee	18,125.00	18,125.00
Upfront Fees	-	-
Underwriting Fee	18,750,000.00	18,750,000.00
Professional Expenses and Agency Fees	3,828,500.00	4,051,801.20

Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	275,128.39
Total Expenses	**52.051.125.00**	**49,907,554.59**
Net Proceeds	**4,947,978,875.00**	**4,950,092,445.41**

Balance of Proceeds as of 12.31.2017 **NIL**

Cebu Holdings, Inc. raised from the Bonds gross proceeds of P5.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P4.95 billion. Net proceeds were used to partially finance various projects.

P8 Billion Fixed Rate Callable Bonds due 2025

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**8,000,000,000.00**	**8,000,000,000.00**
Expenses		
Documentary Stamp Tax	40,000,000.00	40,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	7,748,500.00	7,178,064.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	126,279.00
Listing Fee	168,000.00	100,000.00
Total Expenses	**84,772,125.00**	**81,759,968.00**
Net Proceeds	**7,915,227,875.00**	**7,918,240,032.00**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

P4.0 Billion in Fixed Rate Bonds due 2020 and P2.0 Billion Fixed Rate Bonds due 2033

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**6,000,000,000.00**	**6,000,000,000.00**
Expenses		
Documentary Stamp Tax	30,000,000.00	30,000,000.00
Upfront Fees		
Underwriting Fee (375 bps + GRT)	22,500,000.00	22,500,000.00
Professional Expenses	1,457,500.00	2,517,808.07
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing etc.)	1,000,000.00	5,530.00
Total Expenses	**55,057,500.00**	**55,123,338.07**
Net Proceeds	**5,944,942,500.00**	**5,944,876,661.93**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P6.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P5.9 billion. Net proceeds were used to partially finance various projects.

P15.0 Billion Fixed Rate Bonds due 2024

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**15,000,000,000.00**	**15,000,000,000.00**
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration	5,812,500.00	5,812,500.00
Legal Research Fee	58,125.00	58,125.00

Upfront Fees		
Underwriting Fee	56,250,000.00	56,250,000.00
Professional Expenses	7,336,000.00	401,082.05
Trustee	20,000.00	20,000.00
Registry Account Opening Fee	150,000.00	150,000.00
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	97,807.91
Total Expenses	**147,226,625.00**	**137,889,514.96**
Net Proceeds	**14,852,773,375.00**	**14,862,110,485.04**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

P9.35 Billion Fixed Rate Callable Bonds due 2019 and ₱5.65 Billion Fixed Rate Callable Bonds due 2022

(in pesos)	**ESTIMATED PER PROSPECTUS**	**ACTUAL**
Issue Amount	**15,000,000,000.00**	**15,000,000,000.00**
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
Underwriting Fee	54,035,000.00	54,035,000.00
Rating Fee	5,040,000.00	4,125,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	1,960,000.00	3,064,146.00
Marketing/Printing/Photocopying Costs and OPEs	500,000.00	383,755.82
Registry and Paying Agency Fee	337,500.00	1,056,314.87
Trustee Fees	112,500.00	20,000.00
Listing Fee	100,000.00	443,666.68
Total Expenses	**141,440,625.00**	**142,483,508.37**
Net Proceeds	**14,858,559,375.00**	**14,857,516,491.63**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

HOMESTARTER BONDS 6

(in pesos)	**PROSPECTUS**	**ACTUAL**
Issue Amount	**2,000,000,000.00**	**2,000,000,000.00**
Expenses		
Underwriting and Other Professional Fees	15,000,000.00	15,060,000.00
Issue Management Fee	2,000,000.00	2,000,000.00
Underwriting Fee	12,500,000.00	12,500,000.00
Legal Fee – Joint Underwriters	500,000.00	560,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,486,780.27
Documentary Stamp Tax	10,000,000.00	10,000,000.00
Total Expenses	**27,200,000.00**	**26,546,789.27**
Net Proceeds	**1,972,800,000.00**	**1,973,453,210.73**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P2.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P1.97 billion. Net proceeds were used to partially finance various projects.

HOMESTARTER BONDS 5

(in pesos)	**PROSPECTUS**	**ACTUAL**
Issue Amount	**1,000,000,000.00**	**1,000,000,000.00**
Expenses		

SEC Registration	1,325,625.00	1,325,625.00
Underwriting and Other Professional Fees	8,000,000.00	9,421,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,587,085,83
Registry and Paying Agency Fees	200,000.00	154,090.30
Documentary Stamp Tax	10,000,000.00	5,000,000.00
Total Expenses	**21,725,625.00**	**17,487,801.13**
Net Proceeds	**978,274,375.00**	**982,512,198.87**

Balance of Proceeds as of 12.31.2017 **NIL**

Ayala Land raised from the Bonds gross proceeds of P1.0Bn. After issue-related expenses, actual net proceeds amounted to P982.5 million. Net proceeds were used to partially finance various projects.

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	2	7	4	7					

C O M P A N Y   N A M E

A Y A L A   L A N D ,   I N C .   A N D   S U B S I D I A R
I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

3 1 s t   F l o o r ,   T o w e r   O n e   a n d   E x c h
a n g e   P l a z a ,   A y a l a   T r i a n g l e ,   A y
a l a   A v e n u e ,   M a k a t i   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Angelica L. Salvador		908-3681	

CONTACT PERSON's ADDRESS

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Ayala Land, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2017 and 2016
and Years Ended December 31, 2017,
2016 and 2015

and

Independent Auditor's Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Ayala Land, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recognition of real estate revenue and costs

The Group is involved in real estate project developments under the Ayala Land Premier, Alveo, Avida and Amaia brands for which it applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the physical proportion of work and the cost of sales is determined based on the estimated project development costs applied with the respective project's POC. The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers). In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. This matter is significant to our audit because the assessment of the stage of completion, total estimated project development costs and the level of buyer's equity involves significant management judgment.

Refer to Notes 2 and 3 to the consolidated financial statements for the disclosures on revenue and cost recognition.

Audit Response

We obtained an understanding of the Group's process for determining the percentage of completion, including the cost accumulation process, and for determining and updating the total estimated project development costs, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we compared the certified POC against supporting documents such as accomplishment reports from the contractors. We conducted ocular inspections of selected projects, together with the project managers, and made the relevant inquiries. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents.

For selected projects, we obtained the project reserve memorandum approved by the Investment Committee indicating the work breakdown structure and total project development costs as estimated by the project engineers. For changes in estimated cost components including those relating to unforeseen costs related to projects, we compared these against the special budget appropriations request form and supporting documents such as contractor's change order form. For changes in total project development costs, we obtained the revised project reserve memorandum approved by the Investment Committee, compared this against the supporting documents, and performed inquiries with the project engineers and other relevant management personnel on the rationale for such changes.

Consolidation Process

The consolidated financial statements of the Group represents the consolidation of the financial statements of Ayala Land, Inc. and its numerous direct and indirect subsidiaries. We consider the Group's consolidation process as a significant risk area because of the complexity involved due to the numerous component entities within the Group requiring layers of consolidation, voluminous intercompany transactions that require elimination and subsequent realization of profit or revenue, monitoring of fair value adjustments arising from business combinations, and adjustments to non-controlling interests.

Note 1 to the consolidated financial statements provides the relevant information on the Group's subsidiaries.

Audit Response

We obtained an understanding of the Group's consolidation process and the Group's process for identifying related parties and related party transactions and the reconciliation of intercompany balances. We tested significant consolidation adjustments, including elimination, deferral and realization of intercompany transactions and balances, amortization/depreciation/reversal of fair value adjustments arising from business combinations, the currency translation adjustments, and movements in non-controlling interests and other equity adjustments.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lucy L. Chan.

SYCIP GORRES VELAYO & CO.

Lucy L. Chan

Lucy L. Chan
Partner
CPA Certificate No. 88118
SEC Accreditation No. 0114-AR-4 (Group A),
  January 7, 2016, valid until January 6, 2019
Tax Identification No. 152-884-511
BIR Accreditation No. 08-001998-46-2015,
  February 27, 2015, valid until February 26, 2018
PTR No. 6621239, January 9, 2018, Makati City

February 20, 2018

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 30)	**₱20,998,089**	₱20,904,330
Short-term investments (Notes 5 and 30)	**4,739,734**	207,671
Financial assets at fair value through profit or loss (Notes 6 and 30)	**540,606**	1,964,540
Accounts and notes receivable (Notes 7 and 30)	**98,311,499**	97,467,753
Inventories (Note 8)	**62,192,378**	66,727,945
Other current assets (Note 9)	**31,778,649**	23,739,874
Total Current Assets	**218,560,955**	211,012,113
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 30)	**44,522,898**	35,133,216
Available-for-sale financial assets (Notes 10 and 30)	**1,475,241**	1,385,172
Land and improvements (Note 11)	**94,276,655**	101,456,799
Investments in associates and joint ventures (Note 12)	**26,800,823**	24,985,317
Investment properties (Note 13)	**134,616,390**	107,931,032
Property and equipment (Note 14)	**28,524,088**	26,504,386
Deferred tax assets - net (Note 23)	**10,648,013**	9,878,550
Other noncurrent assets (Notes 15 and 27)	**14,567,271**	18,146,410
Total Noncurrent Assets	**355,431,379**	325,420,882
	₱573,992,334	₱536,432,995

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 17 and 30)	**₱17,644,350**	₱24,244,350
Accounts and other payables (Notes 16 and 30)	**137,683,859**	141,713,114
Income tax payable	**978,433**	1,470,573
Current portion of long-term debt (Notes 17 and 30)	**6,572,775**	5,187,111
Deposits and other current liabilities (Note 18)	**21,743,820**	15,588,023
Total Current Liabilities	**184,623,237**	188,203,171
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 30)	**150,168,631**	130,369,877
Pension liabilities (Note 27)	**1,535,671**	1,498,840
Deferred tax liabilities - net (Note 23)	**3,543,791**	4,356,530
Deposits and other noncurrent liabilities (Notes 19 and 30)	**41,857,646**	39,321,390
Total Noncurrent Liabilities	**197,105,739**	175,546,637
Total Liabilities	**381,728,976**	363,749,808

(Forward)

	December 31	
	2017	2016
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-in capital	**₱61,948,711**	₱61,562,170
Retained earnings	**109,976,450**	91,798,555
Stock options outstanding (Note 29)	**99,064**	89,697
Remeasurement loss on defined benefit plans (Note 27)	**(160,015)**	(356,918)
Net unrealized gain on available-for-sale financial assets (Note 10)	**40,530**	43,594
Cumulative translation adjustments	**1,001,986**	–
Equity reserves (Note 1)	**(6,152,115)**	(5,432,003)
	166,754,611	147,705,095
Non-controlling interests (Note 20)	**25,508,747**	24,978,092
Total Equity	**192,263,358**	172,683,187
	₱573,992,334	₱536,432,995

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Real estate (Notes 26 and 31)	**₱133,097,831**	₱117,700,488	₱100,660,792
Interest income from real estate sales (Note 7)	**5,409,944**	5,010,993	5,172,744
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**865,566**	554,414	(140,488)
	139,373,341	123,265,895	105,693,048
COSTS AND EXPENSES			
Real estate (Note 22)	**87,921,064**	76,566,404	65,335,060
General and administrative expenses (Notes 22, 27 and 29)	**7,274,845**	7,031,350	6,591,955
Other expenses (Note 22)	**1,196,076**	1,053,207	998,860
	96,391,985	84,650,961	72,925,875
OTHER INCOME (CHARGES)			
Interest and investment income (Notes 6, 21 and 26)	**675,051**	702,964	807,287
Interest and other financing charges (Note 22)	**(7,914,326)**	(7,314,387)	(6,506,261)
Other income (Notes 21 and 25)	**2,248,559**	659,936	682,605
INCOME BEFORE INCOME TAX	**37,990,640**	32,663,447	27,750,804
PROVISION FOR INCOME TAX (Note 23)			
Current	**11,959,895**	10,070,055	8,561,600
Deferred	**(2,134,914)**	(1,838,393)	(1,707,683)
	9,824,981	8,231,662	6,853,917
NET INCOME	**₱28,165,659**	₱24,431,785	₱20,896,887
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 28)	**₱25,304,965**	₱20,908,011	₱17,630,275
Non-controlling interests	**2,860,694**	3,523,774	3,266,612
	₱28,165,659	₱24,431,785	₱20,896,887
Earnings Per Share (Note 28)			
Net income attributable to equity holders of Ayala Land, Inc.			
Basic and diluted	**₱1.71**	₱1.43	₱1.20

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
Net income	**₱28,165,659**	₱24,431,785	₱20,896,887
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss in subsequent years:			
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	**(3,064)**	124,932	(215,828)
Cumulative translation adjustment	**1,001,986**	–	–
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement gain on pension liabilities (Note 27)	**281,290**	107,956	199,864
Income tax effect	**(84,387)**	(32,387)	(59,959)
	1,195,825	200,501	(75,923)
Total comprehensive income	**₱29,361,484**	₱24,632,286	₱20,820,964
Total comprehensive income attributable to:			
Equity holders of of Ayala Land, Inc.	**₱26,500,790**	₱21,107,974	₱17,553,565
Non-controlling interests	**2,860,694**	3,524,312	3,267,399
	₱29,361,484	₱24,632,286	₱20,820,964

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to equity holders of Ayala Land, Inc.												
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Subscriptions Receivable	Appropriated Retained Earnings (Note 20)	Unappropriated Retained Earnings (Note 20)	Stock Options Outstanding	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 27)	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets (Note 10)	Cumulative Translation Adjustments (Note 20)	Equity Reserves (Note 20)	Total	Non-Controlling Interests	Total Equity
As of January 1, 2017	**₱16,019,331**	**₱46,928,521**	**(₱1,385,682)**	**₱8,000,000**	**₱83,798,555**	**₱89,697**	**(₱356,918)**	**₱43,594**	**₱–**	**(₱5,432,003)**	**₱147,705,095**	**₱24,978,092**	**₱172,683,187**
Net income	–	–	–	–	25,304,965	–	–	–	–	–	25,304,965	2,860,694	28,165,659
Other comprehensive income (loss)	–	–	–	–	–	–	196,903	(3,064)	1,001,986	–	1,195,825	–	1,195,825
Total comprehensive income	–	–	–	–	25,304,965	–	196,903	(3,064)	1,001,986	–	26,500,790	2,860,694	29,361,484
Cost of stock options	–	144,478	–	–	–	9,367	–	–	–	–	153,845	–	153,845
Collection of subscription receivable	–	–	242,063	–	–	–	–	–	–	–	242,063	–	242,063
Stock options exercised	12,265	381,242	(393,507)	–	–	–	–	–	–	–	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–	(586,010)	(586,010)	(1,247,563)	(1,833,573)
Increase in non-controlling interest	–	–	–	–	–	–	–	–	–	(134,102)	(134,102)	408,138	274,036
Net change in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(387,883)	(387,883)
Cash dividends declared	–	–	–	–	(7,127,070)	–	–	–	–	–	(7,127,070)	(1,102,731)	(8,229,801)
As of December 31, 2017	**₱16,031,596**	**₱47,454,241**	**(₱1,537,126)**	**₱8,000,000**	**₱101,976,450**	**₱99,064**	**(₱160,015)**	**₱40,530**	**₱1,001,986**	**(₱6,152,115)**	**₱166,754,611**	**₱25,508,747**	**₱192,263,358**
As of January 1, 2016	₱16,002,280	₱46,217,696	(₱1,147,528)	₱6,000,000	₱71,951,761	₱190,747	(₱432,487)	(₱80,800)	₱–	(₱4,970,965)	₱133,730,704	₱16,094,707	₱149,825,411
Net income	–	–	–	–	20,908,011	–	–	–	–	–	20,908,011	3,523,774	24,431,785
Other comprehensive income	–	–	–	–	–	–	75,569	124,394	–	–	199,963	538	200,501
Total comprehensive income	–	–	–	–	20,908,011	–	75,569	124,394	–	–	21,107,974	3,524,312	24,632,286
Collection of subscription receivable	–	–	180,338	–	–	–	–	–	–	–	180,338	–	180,338
Appropriation	–	–	–	2,000,000	(2,000,000)	–	–	–	–	–	–	–	–
Cash dividends declared	–	–	–	–	(7,061,217)	–	–	–	–	–	(7,061,217)	(1,559,064)	(8,620,281)
Cost of stock options	–	198,445	–	–	–	9,889	–	–	–	–	208,334	–	208,334
Stock options exercised	17,051	512,380	(418,492)	–	–	(110,939)	–	–	–	–	–	–	–
Acquisition on non-controlling interest	–	–	–	–	–	–	–	–	–	(461,038)	(461,038)	(748,746)	(1,209,784)
Net increase in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	7,666,883	7,666,883
As of December 31, 2016	₱16,019,331	₱46,928,521	(₱1,385,682)	₱8,000,000	₱83,798,555	₱89,697	(₱356,918)	₱43,594	₱–	(₱5,432,003)	₱147,705,095	₱24,978,092	₱172,683,187

	Attributable to equity holders of Ayala Land, Inc.												
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Subscriptions Receivable	Appropriated Retained Earnings (Note 20)	Unappropriated Retained Earnings (Note 20)	Stock Options Outstanding	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 27)	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets (Note 10)	Cumulative Translation Adjustments (Note 20)	Equity Reserves (Note 20)	Total	Non-Controlling Interests	Total Equity
As of January 1, 2015	₱15,497,138	₱30,200,324	(₱845,994)	₱6,000,000	₱60,478,250	₱185,604	(₱572,392)	₱135,815	₱–	(₱4,138,909)	₱106,939,836	₱15,055,622	₱121,995,458
Net income	–	–	–	–	17,630,275	–	–	–	–	–	17,630,275	3,266,612	20,896,887
Other comprehensive income	–	–	–	–	–	–	139,905	(216,615)	–	–	(76,710)	787	(75,923)
Total comprehensive income	–	–	–	–	17,630,275	–	139,905	(216,615)	–	–	17,553,565	3,267,399	20,820,964
Subscription of capital stock	486,965	15,463,137	–	–	–	–	–	–	–	–	15,950,102	–	15,950,102
Cost of stock options	–	196,325	–	–	–	17,262	–	–	–	–	213,587	–	213,587
Stock options exercised	18,177	357,910	(363,968)	–	–	(12,119)	–	–	–	–	–	–	–
Collection of subscription receivables	–	–	62,434	–	–	–	–	–	–	–	62,434	–	62,434
Movement in equity reserve	–	–	–	–	–	–	–	–	–	(832,056)	(832,056)	–	(832,056)
Cash dividends declared	–	–	–	–	(6,156,764)	–	–	–	–	–	(6,156,764)	(2,775,786)	(8,932,550)
Net increase in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	1,201,856	1,201,856
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(654,384)	(654,384)
As of December 31, 2015	₱16,002,280	₱46,217,696	(₱1,147,528)	₱6,000,000	₱71,951,761	₱190,747	(₱432,487)	(₱80,800)	₱–	(₱4,970,965)	₱133,730,704	₱16,094,707	₱149,825,411

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱37,990,640**	₱32,663,447	₱27,750,804
Adjustments for:			
Interest and other financing charges (Note 22)	**7,914,326**	7,314,387	6,506,261
Depreciation and amortization (Notes 13, 14, 15 and 22)	**5,179,792**	5,874,560	5,069,595
Dividends received from investees (Note 12)	**621,579**	232,950	286,739
Provision for impairment losses (Note 22)	**572,001**	412,259	494,878
Cost of share-based payments (Note 29)	**153,845**	208,335	213,587
Unrealized gain on financial assets at fair value through profit or loss (Note 21)	**(13,119)**	(2,422)	(11,996)
Realized gain on financial assets at fair value through profit or loss (Note 21)	**(15,860)**	(6,305)	(78,364)
Gain on sale of available-for-sale investments	**(25,713)**	–	–
Gain on sale of property and equipment (Note 21)	**(69,566)**	(37,447)	(34,338)
Gain on business combination (Note 25)	**–**	(188,086)	–
Equity in net losses (earnings) of associates and joint ventures (Note 12)	**(865,566)**	(554,414)	140,488
Interest income	**(5,987,681)**	(5,695,312)	(5,979,695)
Operating income before changes in working capital	**45,454,678**	40,221,952	34,357,959
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable – trade	**(10,671,714)**	(14,135,347)	(14,949,793)
Inventories	**13,017,887**	(5,043,649)	(3,285,156)
Other current assets (Note 9)	**(7,952,463)**	(1,406,487)	1,743,404
Increase (decrease) in:			
Accounts and other payables	**(7,008,035)**	20,194,269	12,074,006
Deposits and other current liabilities (Note 18)	**6,155,797**	3,976,821	(1,821,438)
Pension liabilities (Note 27)	**233,734**	(3,646)	57,378
Net cash generated from operations	**39,229,884**	43,803,913	28,176,360
Interest received	**5,963,687**	5,661,647	6,475,543
Income tax paid	**(11,899,324)**	(8,859,232)	(7,846,135)
Interest paid	**(7,594,485)**	(7,566,031)	(6,624,035)
Net cash provided by operating activities	**25,699,762**	33,040,297	20,181,733
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of short term investments	**126,605**	171,694	929,311
Sale/redemption of financial assets at fair value through profit or loss	**3,408,555**	2,948,650	28,117,351
Sale of available-for-sale financial assets (Note 10)	**159,074**	562	226,632
Disposal of property and equipment (Note 14)	**622,957**	280,775	92,745
Disposal of investment properties (Note 13)	**165**	550,255	483,257
Disposal of investment in associates and jointly controlled entities	**196,654**	–	–

(Forward)

	Years Ended December 31		
	2017	2016	2015
Additions to:			
Short-term investments	**(₱4,658,694)**	(₱214,744)	(₱792,191)
Financial assets at fair value through profit or loss	**(1,955,642)**	(2,760,693)	(22,494,099)
Available-for-sale financial assets (Note 10)	**(226,494)**	(837,168)	(67,957)
Land and improvements (Note 11)	**(3,962,642)**	(5,063,518)	(21,061,610)
Investments in associates and joint ventures (Note 12)	**(1,073,319)**	(7,142,335)	(6,985,562)
Investment properties (Note 13)	**(28,350,001)**	(27,697,545)	(14,354,449)
Property and equipment (Note 14)	**(2,326,115)**	(3,721,845)	(6,839,235)
Accounts and notes receivable - nontrade (Note 7)	**(718,287)**	(10,712,931)	(1,733,723)
Net increase (decrease) in other noncurrent assets (Note 15)	**3,384,920**	(3,502,623)	(3,926,779)
Acquisition of subsidiary, net of cash acquired (Note 25)	**–**	–	(481,241)
Net decrease in cash from business combination (Note 25)	**–**	(105,381)	–
Net cash used in investing activities	**(35,372,264)**	(57,806,847)	(48,887,550)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	**157,564,449**	51,937,179	54,210,245
Payments of short and long-term debt (Note 17)	**(142,980,030)**	(23,131,953)	(47,879,804)
Increase in deposits and other noncurrent liabilities	**5,217,509**	5,254,678	5,707,932
Increase (decrease) in non-controlling interests	**(113,847)**	2,095,156	1,350,824
Redemption of non-controlling interests in consolidated subsidiaries	**–**	–	(147,395)
Acquisition of non-controlling interest (Note 20)	**(1,833,573)**	(1,209,784)	(1,486,440)
Proceeds from capital stock subscriptions (Note 20)	**242,063**	180,338	16,012,536
Dividends paid to non-controlling interests	**(1,102,731)**	(1,559,064)	(2,775,786)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	**(7,193,183)**	(6,983,060)	(5,876,187)
Net cash provided by financing activities	**9,800,657**	26,583,490	19,115,925
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**128,155**	1,816,940	(9,589,892)
EFFECT OF CHANGES IN FOREIGN CURRENCY	**(34,396)**	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**20,904,330**	19,087,390	28,677,282
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱20,998,089**	₱20,904,330	₱19,087,390

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

Ayala Land, Inc. (the Company or ALI) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 47.74%-owned by Mermac, Inc., 10.15%-owned by Mitsubishi Corporation (MC) and the rest by the public. The Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017 were endorsed for approval by the Audit Committee on February 14, 2018 and were approved and authorized for issue by the Board of Directors (BOD) on February 20, 2018.

The consolidated financial statements represent the consolidation of the financial statements of the Company and the following domestic and foreign subsidiaries:

	December 31	
	2017*	2016*
Real Estate:		
Alveo Land Corporation (Alveo)	**100%**	100%
Serendra, Inc.	**39**	39
Solinea, Inc. (Solinea)	**65**	65
BGSouth Properties, Inc. (BGS)	**50**	50
Portico Land Corp. (Portico)	**60**	60
Serendra, Inc.	**28**	28
Amorsedia Development Corporation (ADC)	**100**	100
OLC Development Corporation and Subsidiary	**100**	100
HLC Development Corporation	**100**	100
Allysonia International Ltd.	**100**	100
Avida Land Corporation (Avida)	**100**	100
Buklod Bahayan Realty and Development Corp.	**100**	100
Avida Sales Corp. and Subsidiaries	**100**	100
Amicassa Process Solutions, Inc.	**100**	100
Avencosouth Corp. (Avencosouth)	**70**	70
BGNorth Properties, Inc. (BGN)	**50**	50
Amaia Land Co. (Amaia)	**100**	100
Amaia Southern Properties, Inc. (ASPI)	**65**	65
AyalaLand Premier, Inc.****	**100**	-
Ayala Land International Sales, Inc. (ALISI)	**100**	100
Ayala Land International Marketing, Inc. (AIMI)	**100**	100
Ayala Land International (Singapore) Pte. Ltd	**100**	100
Ayala Land International Marketing (Hong Kong) Ltd	**100**	100
Ayala Land International Marketing, SRL	**100**	100
Ayala Land International Marketing, London	**100**	100

(Forward)

	December 31	
	2017*	2016*
Ayala Land Sales, Inc.	**100%**	100%
Southportal Properties, Inc. (Southportal)	**65**	65
Buendia Landholdings, Inc.	**100**	100
Crans Montana Holdings, Inc.	**100**	100
Crimson Field Enterprises, Inc.	**100**	100
Ecoholdings Company, Inc. (ECI)	**100**	100
NorthBeacon Commercial Corporation (NBCC)	**100**	100
Red Creek Properties, Inc.	**100**	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100
North Eastern Commercial Corp. (formerly Asterion Technopod, Inc.(NECC)	**100**	100
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	**100**	100
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp.)	**100**	100
Hillsford Property Corporation (HPC)	**100**	100
Primavera Towncentre, Inc. (PTI)	**100**	100
Summerhill E-Office Corporation (Summerhill)	**100**	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100
Subic Bay Town Centre, Inc.	**100**	100
Regent Wise Investments Limited (Regent Wise) (Hongkong Company)	**100**	100
AyalaLand Real Estate Investments, Inc.	**100**	100
AyalaLand Advisory Broadway, Inc.	**100**	100
AyalaLand Development (Canada), Inc.	**100**	100
AyalaLand OpenAsia Holdings PTE, Ltd.	**100**	100
Blue Horizons Holdings PTE, Limited.	**100**	100
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100
Arvo Commercial Corporation (Arvo)	**100**	100
BellaVita Land Corporation (BellaVita)	**100**	100
Nuevo Centro, Inc. (Nuevo Centro)	**55**	55
Alviera Country Club (Alviera)***	**50**	50
Cavite Commercial Town Center, Inc.	**100**	100
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) (Note 24)	**100**	100
One Dela Rosa Property Development, Inc.	**100**	100
First Gateway Real Estate Corp.	**100**	100
Glensworth Development, Inc. (Glensworth)	**100**	100
UP North Property Holdings, Inc.	**100**	100
ALO Prime Realty Corporation (Note 24)	**100**	100
Makati Cornerstone Leasing Corp. (MCLC)****	**100**	-
Arca South Commercial Ventures Corp.****	**100**	-
Capitol Central Commercial Ventures Corp.****	**100**	-
Bay City Commercial Venture Corp. (BCCVC)****	**100**	-
Laguna Technopark, Inc. (LTI)	**75**	75
Ecozone Power Management, Inc.	**75**	75
Aurora Properties Incorporated (API)	**80**	80
Soltea Commercial Corp.	**16**	16
Vesta Property Holdings, Inc.	**70**	70
Altaraza Prime Realty Corporation (Altaraza)	**100**	100
Prow Holdings, Inc. (Prow)	**55**	55

(Forward)

	December 31	
	2017*	2016*
Station Square East Commercial Corporation (SSECC)	**69%**	69%
Next Urban Alliance Development Corp.	**100**	100
Accendo Commercial Corp. (Accendo)	**67**	67
Avencosouth Corp.	**20**	20
Aviana Development Corporation	**7**	7
Aviana Development Corporation	**50**	50
Cagayan de Oro Gateway Corp. (CDOGC)	**70**	70
Ceci Realty, Inc. (Ceci)	**60**	60
Soltea Commercial Corp.	**12**	12
Soltea Commercial Corp.	**60**	60
CMPI Holdings, Inc	**60**	60
CMPI Land, Inc.	**36**	36
ALI-CII Development Corporation (ALI-CII)	**50**	50
Roxas Land Corporation (RLC)	**50**	50
Adauge Commercial Corporation (Adauge)	**60**	60
AyalaLand Estates, Inc. (formerly Southgateway Development Corp. (SDC)	**100**	100
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100
Verde Golf Development Corporation	**100**	100
North Triangle Depot Commercial Corporation (NTDCC)	**73**	73
BGWest Properties, Inc. (BGW)	**50**	50
Lagdigan Land Corp. (Lagdigan)	**60**	60
Central Block Developers, Inc. (CBDI)	**35**	35
Cebu Holdings, Inc. (CHI)	**72**	67
Cebu Property Ventures Development Corp (CPVDC) and Subsidiary	**63**	59
Cebu Leisure Company, Inc.	**72**	67
CBP Theatre Management, Inc.	**72**	67
Taft Punta Engaño Property, Inc. (TPEPI)	**40**	37
Cebu Insular Hotel Company, Inc. (CIHCI)	**27**	25
Solinea, Inc.	**25**	23
Amaia Southern Properties, Inc. (ASPI)	**25**	23
Southportal Properties, Inc. (Southportal)	**25**	23
Central Block Developers, Inc. (CBDI)**	**41**	38
Alabang Commercial Corporation (ACC)	**50**	50
South Innovative Theater Management (SITMI)	**50**	50
ALI Commercial Center, Inc.	**100**	100
Prime Orion Philippines, Inc.(POPI) (Note 24)	**63**	51
FLT Prime Insurance Corporation	**45**	37
Orion Solutions, Inc.	**63**	51
Orion I Holdings Philippines, Inc.	**63**	51
OE Holdings, Inc	**63**	51
Orion Land, Inc.	**63**	51
Ayalaland Malls Synergies, Inc. (AMSI)	**100**	100
Ayala Land Malls, Inc. (formerly Solerte, Inc.)	**100**	100
Ayalaland Malls Vismin, Inc.	**100**	100
Ayalaland Malls NorthEast, Inc.	**100**	100
Construction:		
Makati Development Corporation (MDC)	**100**	100
MDC Subic, Inc.	**100**	100
MDC Build Plus, Inc.	**100**	100
MDC Conqrete, Inc. (MCI)	**100**	100

(Forward)

	December 31	
	2017*	2016*
MDC Equipment Solutions, Inc. (MESI)	**100%**	100%
MDBI Construction Corp. (formerly MDC Triangle, Inc.) (MDBI)****	**67**	-
Hotels:		
Ayala Hotels, Inc. (AHI)	**50**	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100
ALI Makati Hotel & Residences, Inc. (AMHRI) (formerly KHI-ALI Manila, Inc.) (Note 24)	**80**	80
ALI Makati Hotel Property, Inc. (AMHPI) (formerly KHI Manila Property, Inc.) (Note 24)	**80**	80
Regent Horizons Conservation Company, Inc. and Subsidiary (formerly Asian Conservation Company Limited and Subsidiary)	**100**	100
Enjay Hotels, Inc. (Enjay)	**100**	100
Greenhaven Property Venture, Inc. (GPVI)	**100**	100
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**	63
Bonifacio Hotel Ventures, Inc.	**100**	100
Southcrest Hotel Ventures, Inc.	**67**	67
Northgate Hotel Ventures, Inc.	**70**	70
North Triangle Hotel Ventures, Inc.	**100**	100
Ecosouth Hotel Ventures, Inc.	**100**	100
Sentera Hotel Ventures, Inc.	**100**	100
Econorth Resorts Ventures, Inc.	**100**	100
ALI Triangle Hotel Ventures, Inc.	**100**	100
Circuit Makati Hotel Ventures, Inc.	**100**	100
Capitol Centre Hotel Ventures, Inc.	**100**	100
Arca South Hotel Ventures, Inc.	**100**	100
Sicogon Town Hotel, Inc.	**100**	100
Bay Area Hotel Ventures, Inc.****	**100**	-
Makati North Hotel Ventures, Inc. (MNHVI)****	**100**	-
One Makati Hotel Ventures, Inc. (OMHVI)****	**100**	-
Sicogon Island Tourism Estate Corp. (SITE Corp.)	**100**	100
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	**20**	20
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	**20**	20
Ten Knots Phils., Inc. (TKPI) (Note 24)	**60**	60
Bacuit Bay Development Corporation	**60**	60
Lio Resort Ventures, Inc.	**60**	60
North Liberty Resort Ventures, Inc.	**60**	60
Paragua Eco-Resort Ventures, Inc.	**60**	60
Lio Tourism Estate Management Corporation	**60**	60
Ten Knots Development Corp. (TKDC) (Note 24)	**60**	60
Chirica Resorts Corp.	**60**	60
Kingfisher Capital Resources Corp.	**60**	60
Pangulasian Island Resort Corporation	**60**	60
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Prime Support Services, Inc.	**100**	100
Ayala Theatres Management, Inc. and Subsidiaries	**100**	100
DirectPower Services, Inc. (DirectPower)	**100**	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**	100

(Forward)

	December 31	
	2017*	2016*
Entertainment:		
Five Star Cinema, Inc.	**100%**	100%
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50
Others:		
ALInet.com, Inc. (ALInet)	**100**	100
First Longfield Investments Limited (First Longfield) (Hongkong Company)	**100**	100
Green Horizons Holdings Limited	**100**	100
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**	100
AyalaLand Club Management, Inc.	**100**	100
ALI Capital Corp. (formerly Varejo Corp.)	**100**	100
Integrated Eco-resort Inc.	**100**	100
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.) (Airswift)	**100**	100
Arca South Integrated Terminal, Inc.	**100**	100
Whiteknight Holdings, Inc. (WHI)	**100**	100
Ayalaland Medical Facilities Leasing Inc.	**100**	100
Anvaya Cove Beach and Nature Club, Inc.(Anvaya Cove Beach)***	**73**	73
Anvaya Cove Golf and Sports Club, Inc. (Anvaya Cove Golf)***	**78**	78

*represents the Group's percentages of effective ownership
**includes CPVDC interest in CBDI
*** consolidated in compliance with Philippine Interpretations Committee (PIC) Q&A 2016-02 PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity
****newly incorporated entities in 2017

AC owns the other 50.0% of AHI. The Company exercises control over AHI. Likewise, the Company, through its 50.0% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP. Accordingly, the accounts of AHI, ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP are consolidated to the accounts of the Company (see Note 3).

The following were the changes in the group structure during 2017:

Makati Cornerstone Leasing Corp. is a wholly owned subsidiary of Ayala Land, Inc. and was registered with SEC on June 5, 2017. MCLC was organized to develop the Circuit BPO1 and Circuit BPO2.

AyalaLand Premier, Inc. is a wholly owned subsidiary of Ayala Land, Inc. and was registered on July 7, 2017 to engage primarily in general contracting services.

MDBI Construction Corp., formerly MDC Triangle, Inc., was incorporated on March 1, 2017. The Company is 67% owned by Makati Development Corp. and 33% owned by Bouygues Batiment International, a Europe-based company which is also a subsidiary of Bouygues Construction. MDBI was organized to engage in general contracting services.

Capitol Central Commercial Ventures Corp. is a wholly owned subsidiary of Ayala Land, Inc. and was incorporated on December 4, 2017 for the development of Ayala Malls Capitol Central.

Arca South Commercial Ventures Corp. is a wholly owned subsidiary of Ayala Land, Inc. and was incorporated on November 16, 2017 for the development of Ayala Malls Arca South.

Bay City Commercial Ventures Corp. was incorporated on November 3, 2017. BCCVC is a wholly owned subsdiary of Ayala Land, Inc. and was organized primarily for the development of Ayala Malls Bay City.

Bay Area Hotel Ventures, Inc. was incorporated on September 6, 2017, is a wholly owned subsidiary of AHRC and organized primarily for the development of Seda Bay Area.

Makati North Hotel Ventures, Inc. is a wholly owned subsidiary of AHRC. MNHVI was organized on October 10, 2017 for the development of Seda City Gate.

One Makati Hotel Ventures, Inc. is a wholly owned subsidiary of AHRC and was incorporated on September 28, 2017. OMHVI was organized primarily for the development of Seda One Ayala.

In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which brought up ALI ownership to 72% of the total outstanding capital stock of CHI.

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of the total POPI's outstanding capital stock.

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45 share amounting to ₱1,255.58 million. The acquisition of POPI shares by OLI was treated as an acquisition of non-controlling interest resulting to a debit to equity reserve of ₱405.18 million. This increased ALI's effective ownership to 63.05%.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency and all values are rounded to the nearest thousand (₱000), except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRSs which became effective January 1, 2017.

The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 24 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

<u>Standards and interpretation issued but not yet effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effectivity date.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should

be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Group does not expect the amendments to have material impact on its consolidated financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group is currently assessing the impact of adopting this interpretation.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group is currently assessing the impact of adopting this interpretation.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Change of presentation
In 2017, the Group changed the presentation of its consolidated statement of income from the single step to the multiple step presentation. This presentation better reflects and distinguishes other income from revenue and other charges from the operating expenses of the Group. Prior years consolidated statements of income have been re-presented for comparative purposes. The change in presentation

has no impact on the consolidated net income, equity, cash flows and earnings per share of the Group in 2016 and 2015.

Current and Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income under "Interest and investment income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the consolidated statement of income under “Other income” or “Other charges”.

Financial assets may be designated at initial recognition as FVPL if any of the following criteria are met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2017 and 2016, the Group holds its investment in Unit Investment Trust Fund (UITF) and investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) as held for trading and classified these as financial assets at FVPL. Management takes the view that these are held for trading and such portfolios are managed by professional managers.

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

The amortization is included in “Interest and investment income” in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income under “Other income” or “Other charges” when the HTM investments are derecognized and impaired, as well as through the amortization process.

As of December 31, 2017 and 2016, the Group has no HTM investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions “Short-term investments” and “Accounts and notes receivable” except for “Advances to contractors and suppliers” and “Advances to other companies”.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the “Interest income from real estate sales” in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income under the “Other expenses” account.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise these are classified as noncurrent assets.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Net unrealized gain on available-for-sale financial assets” in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income under “Other income” account or “Other charges” account. Where the Group holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the consolidated statement of income under the “Other charges” account.

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group’s “Accounts and other payables” (other than “Taxes payable” which is covered by other accounting standard), “Short-term and long-term debts,” and other obligations that meet the above definition.

<u>Deposits and Retentions Payable</u>
Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using the effective interest method.

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the “Real estate revenue” account in the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;
b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
c. the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income under "Other charges" account.

Interest income continues to be recognized based on the original effective interest rate of the asst. Receivable, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than six (6) months for quoted equity securities. The Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 10). Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest and investment income" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Concession Financial Receivable
The Company accounts for its concession arrangement with the DOTr under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement, the Company is awarded the right to build and operate an integrated transport terminal for Metro Manila and its adjacent provinces. The legal title to these assets shall be transferred to the government at the end of the concession period.

The “Concession Financial Receivable” pertains to the fair value of the Annual Grantor Payment related to the operating and maintenance services and recovery of construction costs of the terminal facility. These are amortized using the effective interest rate over the life of the related concession.

In addition, the Company recognizes and measures construction revenues and costs in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. Recognition of revenue is by reference to the ‘stage of completion method,’ also known as the ‘percentage of completion method’ as provided under PAS 11. Contract revenue and costs from construction works are recognized as “Construction Revenue” and “Construction Expense” in profit or loss in the period in which the work is performed.

Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

The cost of inventory recognized in the consolidated statement of income on disposal is determined with reference to the specific, including estimated costs incurred on the property and costs allocated to saleable area based on relative size.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Input Value-Added Tax (VAT)
Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Deposits in Escrow
Deposits in escrow pertain to the proceeds from the sale of the Group's projects that have only been granted temporary License to Sell (LTS) as of reporting date. These proceeds are deposited in a local bank and earn interest at prevailing bank deposit rates.

Materials, Parts and Supplies
Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Advances to Other Companies and Advances to Contractors and Suppliers
Advances to other companies and advances to contractors and suppliers are carried at cost less impairment losses, if any.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Investments in Associates and Joint Ventures
Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Interest in Joint Operation
Makati Development Corporation (MDC), a subsidiary of the Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

Investment Properties
Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Constructions-in-progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engaged independent valuation specialist to assess fair value as at December 31, 2017 and 2016. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Leasehold rights with finite lives are amortized using the straight-line method over the useful economic life of 20 to 23 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

As of December 31, 2017 and 2016 intangible asset pertaining to leasehold right is included under "Other noncurrent assets".

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the period before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Combinations of entities under common control
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its

recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

<u>Provisions</u>
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

<u>Pension Cost</u>
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes a) service costs comprising current service costs, past-service costs b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Share-based Payments

The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 29.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options

For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 28).

Employee Stock Ownership Plan

The Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Company's shares. The Company recognizes stock compensation expense over the holding period. The Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at a premium, the difference between the proceeds and the par value is credited to “Additional paid-in capital” account. Direct costs incurred related to equity issuance are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Equity reserves pertain to the excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer’s commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with PIC Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the physical proportion of contract work. The percentage of completion is determined by the Company’s project engineers.

Any excess of collections over the recognized receivables are included in the “Deposits and other current liabilities” account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Deposits and other current liabilities” account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/ or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Revenue from construction contracts included in the "Real estate" account in the consolidated statement of income is recognized using the percentage-of-completion method, based on the completion of a physical proportion of the contract work inclusive of the uninstalled goods and materials delivered to the site.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Rooms revenue from hotel and resort operations is recognized when the services are rendered.

Revenue from banquets and other special events are recognized when the events take place.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.

Commissions
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Expense Recognition
Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in “Inventories”, “Investment properties” and “Property and equipment” accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Group as lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs

incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustments” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. Calculation of dilutive EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Company. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 31 of the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Distinction between real estate inventories and land and improvements
The Group determines whether a property will be classified as real estate inventories or land and improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (land and improvements).

Property acquisitions and business combinations
The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

In 2016, the Company accounted for its acquisition of 55% interest in Prow as an acquisition of an asset. Management has made its judgment in determining whether Prow is a business as defined in PFRS 3. Management has considered whether Prow has inputs and processes that have the ability to create outputs.

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights
The Group considers that it controls the following entities even though it owns 50% or less than majority of the voting rights.

ACC
For ACC, ALI holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, ALI has an existing management services agreement with ACC which gives ALI the exclusive control and decision over the relevant activities of ACC.

BG Entities (BGWest, BGNorth and BGSouth)
For the BG entities, wherein ALI and the other shareholder each own 50% of the voting rights, ALI controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled ALI to conclude that it has control.

AHI, RLC, ALI-CII and LAIP
ALI has an existing management services agreement with AHI, RLC, ALI-CII and LAIP which gives ALI the exclusive control and decision over the relevant activities of AHI, RLC, ALI-CII and LAIP.

Significant influence on BLC, OHI and MCT
The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies (see Note 12).

Service concession agreement
The Group has made a judgment that the concession agreement with DOTr qualifies under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Management has assessed that DOTr controls and regulates the service, determines to whom this service will be provided and controls the price. In addition, management has also determined that the DOTr has the significant control over the residual interest of the Terminal at the end of the term. Management has also made a judgment that the Terminal and commercial assets (mall facilities) are physically separable and are capable of being operated independently.

Management has further assessed that said concession agreement qualifies under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets (i.e. the Annual Grantor Payment) for its construction, operating and maintenance services directly from DOTr.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 35).

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition on real estate projects
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate and construction contracts is recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Notes 21 and 22 for the related balances. The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers). In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Accounting for business combination
In 2016, the Company purchased 2.5 billion common shares or 51.4% interest in POPI for a total consideration ₱5,625.0 million. In identifying the assets acquired and liabilities assumed, management has determined that part of the assets being acquired pertains to the leasehold rights of POPI arising from its land lease with Philippine National Railways (PNR).

Further, management has measured the leasehold rights and investment properties that were acquired using the appraisal report that was prepared by the external appraiser. These appraisals involve selecting the appropriate valuation methodology and making various assumptions such as price per sqm, adjustment factors, discount rate, rental growth rate, location, size and time element factors. The investment properties comprising of building and property and equipment were valued using the cost approach, specifically reproduction cost (new) less depreciation for physical deterioration, functional and economic obsolescence. Significant estimates were made in relation to the reproduction cost (new) using the unit-in-place method which combines direct and indirect costs for a building component. Adjustments were made to the reproduction cost to reflect depreciation. The land was valued using the sales comparison approach. Significant assumptions used include comparable property prices adjusted for nature, location and condition of the land to which the leasehold right is attributed to. In addition, in determining the lease interest, assumptions were made as to rental growth rate and discount rate.

Estimating allowance for impairment losses
The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due

status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expenses for any period would differ depending on the judgments and estimates made for the year. See Note 7 for the related balances.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 8 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 29 for the related balances.

Estimating pension liabilities and other retirement benefits
The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 27 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 27 for the related balances.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology. See Note 30 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
	(In Thousands)	
Cash on hand	**₱52,194**	₱53,308
Cash in banks	**10,107,551**	9,165,619
Cash equivalents	**10,838,344**	11,685,403
	₱20,998,089	₱20,904,330

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

The annual interest rates of the cash equivalents are as follows:

	2017	2016
Philippine Peso	**1.6% to 4.8%**	1.2% to 2.8%
US Dollar	**0.8% to 2.0%**	1.3% to 2.0%

5. Short-term Investments

Short-term investments consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the respective short-term investment rates.

The annual interest rates of the short-term investments are as follows:

	2017	2016
Philippine Peso	**2.3% to 3.7%**	-
US Dollar	**2.0% to 2.2%**	1.6%

6. Financial Assets at FVPL

This account consists of:

	2017	2016
	(In Thousands)	
Investment in ARCH Capital Fund (Note 12)	**₱457,628**	₱435,452
Investment in Unit Investment Trust Fund (UITF)	**82,978**	1,529,088
	₱540,606	₱1,964,540

Investment in ARCH Capital Fund pertains to monetary interest in a fund in which the management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

The Group invests in money market UITF which aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

As of December 31, 2017, the Group invested in BPI Money Market Fund (MMF) with a fair value of ₱82.98 million. The BPI MMF's Net Asset Value (NAV) was at ₱5,866.9 million with duration of 142 days.

As of December 31, 2016, the Group's investments included BPI Short Term Fund (STF), BPI Money Market Fund (MMF) and BDO Institutional Cash Reserve Fund (ICRF) (the Funds) with an aggregate fair value of ₱1,529.1 million. The Net Asset Value (NAV) of the funds were: (i) BPI STF ₱67,692.0 million with duration of 33 days; (ii) BPI MMF ₱6,281.6 million with duration of 37 days; and (iii) BDO ICRF ₱79,935.0 million with duration of 106 days.

The following table provides the fair value hierarchy of the Group's financial assets at FVPL which are measured at fair value as of December 31, 2017 and 2016:

2017

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	**December 31, 2017**	**₱82,978**	**₱–**	**₱82,978**	**₱–**
Investment in ARCH Capital Fund	**September 30, 2017**	**457,628**	**–**	**–**	**457,628**

2016

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	December 31, 2016	₱1,529,088	₱–	₱1,529,088	₱–
Investment in ARCH Capital Fund	September 30, 2016	435,452	–	–	435,452

The fair value of the investment in UITF is is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

Reconciliation of fair value measurement of Investment in Arch Fund is shown below:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱435,452**	₱443,448
Redemptions	**(17,250)**	(9,514)
Additions	**39,426**	566
Unrealized gains included under "Other income"	**–**	952
Balance at end of year	**₱457,628**	₱435,452

Reconciliation of fair value measurement of Investment in UITF is shown below:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱1,529,088**	₱ 288,229
Redemptions	**(3,375,445)**	(2,932,831)
Additions	**1,916,216**	4,172,221
Unrealized gains included under "Other income"	**13,119**	1,469
Balance at end of year	**₱82,978**	₱1,529,088

7. **Accounts and Notes Receivable**

This account consists of:

	2017	2016
	(In Thousands)	
Trade:		
Residential and office development	**₱89,198,616**	₱79,299,678
Shopping centers	**2,709,587**	2,558,391
Construction contracts	**2,494,726**	2,710,548
Corporate business	**1,605,933**	2,541,996
Management fees	**328,614**	309,331
Others	**1,376,849**	907,841
Advances to contractors and suppliers	**22,394,155**	26,166,066
Advances to other companies	**16,185,359**	14,084,976
Accrued receivables	**4,700,167**	3,355,418
Receivables from related parties (Note 26)	**1,734,477**	1,116,745
Receivables from employees	**831,860**	739,826
	143,560,343	133,790,816
Less allowance for impairment losses	**725,946**	1,189,847
	142,834,397	132,600,969
Less noncurrent portion	**44,522,898**	35,133,216
	₱98,311,499	₱97,467,753

The classes of trade receivables of the Group are as follows:

- Residential and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments
- Shopping centers - pertain to lease receivables from retail spaces
- Construction contracts - pertain to receivables from third party construction projects
- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Sales contract receivables, included under residential and office development, are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 8% to 13%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from hotel operations and other support services are normally due within 30 to 90 days upon billing.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

Advances to other companies includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The Group does not intend that these advances will be repaid, but will instead be recorded as part of the project costs upon development or as part of consideration for purchases of land. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by NTDCC to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. As of December 31, 2017 and 2016, receivables from MRTDC shareholders for both years amounted to ₱445.5 million and ₱432.1 million, respectively.

On December 17, 2014, NTDCC and MRTDC shareholders executed a “funding and repayment agreement” wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from the Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

Accrued receivables and receivables from related parties are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group’s employees which are collectible through salary deduction, are interest-bearing (6.0% per annum) and payable on various maturity dates.

Receivables amounting to ₱725.9 million and ₱1,189.8 million as of December 31, 2017 and 2016, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2017

	Trade							
	Residential and office Development	**Shopping Centers**	**Construction Contracts**	**Corporate Business**	**Management Fees**	**Others**	**Advances to Other Companies**	**Total**
				(In Thousands)				
Balance at beginning of year	**₱13,555**	**₱527,751**	**₱26,547**	**₱57,623**	**₱3,012**	**₱112,696**	**₱448,663**	**₱1,189,847**
Provisions during the period (Note 22)	**–**	**42,274**	**–**	**47,413**	**–**	**4,031**	**–**	**93,718**
Translation adjustment	**–**	**–**	**–**	**–**	**–**	**142**	**–**	**142**
Reversal (Note 22)	**–**	**(3,153)**	**–**	**(25,827)**	**–**	**(47,507)**	**(433,374)**	**(509,861)**
Accounts written off	**–**	**(6,055)**	**–**	**–**	**–**	**(37,502)**	**(4,343)**	**(47,900)**
Balance at end of year	**₱13,555**	**₱560,817**	**₱26,547**	**₱79,209**	**₱3,012**	**₱31,860**	**₱10,946**	**₱725,946**
Individually impaired	**–**	**403,906**	**26,547**	**79,209**	**2,614**	**27,438**	**10,946**	**550,660**
Collectively impaired	**13,555**	**156,911**	**–**	**–**	**398**	**4,422**	**–**	**175,286**
Total	**₱13,555**	**₱560,817**	**₱26,547**	**₱79,209**	**₱3,012**	**₱31,860**	**₱10,946**	**₱725,946**
Gross amounts of receivables individually determined to be impaired	**₱–**	**₱403,906**	**₱26,547**	**₱79,209**	**₱2,614**	**₱27,438**	**₱10,946**	**₱550,660**

2016

	Trade							
	Residential and office Development	Shopping Centers	Construction Contracts	Corporate Business	Management Fees	Others	Advances to Other Companies	Total
	(In Thousands)							
Balance at beginning of year	₱23,110	₱409,230	₱45,297	₱44,888	₱3,012	₱83,019	₱176,252	₱784,808
Acquisition through business combination (Note 25)	–	67,739	–	–	–	–	–	67,739
Provisions during the period (Note 22)	–	80,531	–	12,735	–	28,878	277,280	399,424
Translation adjustment	–	1,283	–	–	–	1,702	–	2,985
Reversal (Note 22)	–	–	–	–	–	(903)	–	(903)
Accounts written off	(9,555)	(31,032)	(18,750)	–	–	–	(4,869)	(64,206)
Balance at end of year	₱13,555	₱527,751	₱26,547	₱57,623	₱3,012	₱112,696	₱448,663	₱1,189,847
Individually impaired	₱–	₱345,106	₱26,547	₱57,623	₱2,614	₱81,362	₱447,649	₱960,901
Collectively impaired	13,555	182,645	–	–	398	31,334	1,014	228,946
Total	₱13,555	₱527,751	₱26,547	₱57,623	₱3,012	₱112,696	₱448,663	₱1,189,847
Gross amounts of receivables individually determined to be impaired	₱–	₱345,106	₱26,547	₱57,623	₱2,614	₱81,362	₱447,649	₱960,901

As of December 31, 2017 and 2016, nominal amounts of trade receivables from residential and office development amounting to ₱99,530.8 million and ₱86,747.7 million, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2017 and 2016 follow:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱7,448,048**	₱4,860,992
Additions during the year	**8,294,042**	7,598,049
Accretion for the year (Note 21)	**(5,409,944)**	(5,010,993)
Balance at end of year	**₱10,332,146**	₱7,448,048

The Group entered into agreements with BPI Asset Management and Trust Corporation in 2017 and 2016 for the assignment of interest-bearing employee receivables amounting to ₱69.0 million and ₱99.6 million, respectively. The transactions were without recourse and did not result to any gain or loss.

The Group sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, amounting to ₱7,711.3 million 2017 and ₱2,008.3 million in 2016. These were sold at a discount with total proceeds of ₱7,320.8 million and ₱1,894.2 million, respectively. The Group recognized loss on sale (under "Other charges") amounting to ₱390.5 million in 2017 and ₱114.1 million in 2016.

8. **Inventories**

This account consists of:

	2017	2016
	(In Thousands)	
Real estate:		
Residential and commercial lots:		
At cost	**₱15,444,130**	₱24,808,753
At NRV	**9,065**	936,183
	15,453,195	25,744,936
Residential and condominium units - at cost	**44,321,347**	39,304,715
Offices	**2,417,836**	1,678,294
	₱62,192,378	₱66,727,945

A summary of the movement in inventories is set out below:

2017

	Residential and commercial lots	**Residential and condominium units**	**Offices**	**Total**
	(In Thousands)			
Balances at beginning of year	**₱25,744,936**	**₱39,304,715**	**₱1,678,294**	**₱66,727,945**
Land acquired during the year	**659,866**	**–**	**–**	**659,866**
Land cost transferred from land and improvements (Notes 11 and 37)	**4,844,395**	**5,245,375**	**818,680**	**10,908,450**
Construction/development costs incurred	**7,467,783**	**32,744,518**	**4,675,938**	**44,888,239**
Borrowing costs capitalized	**–**	**28,754**	**–**	**28,754**
Disposals (recognized as cost of real estate sales) (Note 22)	**(22,107,339)**	**(33,002,015)**	**(4,755,076)**	**(59,864,430)**
Transfers to investment properties (Notes 13 and 37)	**(2,454,884)**	**–**	**–**	**(2,454,884)**
Reversal of write-down	**1,298,438**	**–**	**–**	**1,298,438**
Balances at end of year	**₱15,453,195**	**₱44,321,347**	**₱2,417,836**	**₱62,192,378**

2016

	Residential and commercial lots	Residential and condominium units	Offices	Club shares	Total
	(In Thousands)				
Balances at beginning of year	₱24,588,550	₱30,883,793	₱2,145,973	₱1,628,646	₱59,246,962
Land acquired during the year	34,124	–	–	–	34,124
Land cost transferred from land and improvements (Notes 11 and 37)	581,172	4,214,326	–	–	4,795,498
Acquired through business combination (Note 25)	273,299	–	–	–	273,299
Construction/development costs incurred	12,425,216	34,944,645	366,848	–	47,736,709
Borrowing costs capitalized	–	62,507	–	–	62,507
Disposals (recognized as cost of real estate sales) (Note 22)	(11,487,472)	(30,249,463)	(834,527)	–	(42,571,462)
Transfers to investment properties (Notes 13 and 37)	(553,425)	(511,900)	–	–	(1,065,325)
Other adjustments/ reclassifications (Note 10)	(116,528)	(39,193)	–	(1,628,646)	(1,784,367)
Balances at end of year	₱25,744,936	₱39,304,715	₱1,678,294	₱–	₱66,727,945

In 2017, the Company reversed ₱1,298.4 million allowance for impairment in inventories due to higher fair value than its carrying amount.

The cost of the inventories carried at NRV amounted to ₱14.6 million and ₱2,255.9 million as of December 31, 2017 and 2016, respectively.

Club shares held as inventory were either reclassified into AFS or consolidated in 2016 (see Notes 2 and 10).

9. Other Current Assets

This account consists of:

	2017	2016
	(In Thousands)	
Value-added input tax	**₱16,966,146**	₱10,494,022
Prepaid expenses	**9,861,763**	10,381,829
Creditable withholding taxes	**2,888,827**	1,837,920
Materials, parts and supplies - at cost	**546,981**	542,461
Others	**1,514,932**	483,642
	₱31,778,649	₱23,739,874

Value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Prepaid expenses consist of prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance and current project costs.

Creditable withholding taxes are applied against income tax payable.

Materials, parts and supplies pertain to inventories to be used in the construction and maintenance of projects.

Others include deferred charges, deposits in escrow and letters of credit. Deferred charges pertain to project-related costs already paid but not yet consumed in the actual construction activities. These are costs as the related awarded project progresses. Deposits in escrow pertain to the proceeds from the sale of the Group's projects that have only been granted temporary LTS as of reporting date.

10. Available-for-Sale Financial Assets

This account consists of investments in:

	2017	2016
	(In Thousands)	
Shares of stock:		
Quoted	**₱911,018**	₱799,871
Unquoted	**523,693**	537,094
	1,434,711	1,336,965
Net unrealized gain	**40,530**	48,207
	₱1,475,241	₱1,385,172

Investments in quoted shares of stock include shares held for clubs wherein the Group does not exercise control or demonstrate significant influence.

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Group will continue to carry as part of the infrastructure that it provides to its real estate projects. These are carried at cost less impairment, if any.

Movements in the net unrealized gain on AFS financial assets follow:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱48,207**	(₱76,725)
Fair value changes during the year	**(3,064)**	124,932
Fair value loss transferred to profit or loss	**(4,613)**	–
Balance at end of year	**₱40,530**	₱48,207

As of December 31, 2017 and 2016, unrealized gain on AFS attributable to non-controlling interests amounted to nil and ₱0.6 million, respectively.

The following table provides the fair value hierarchy of the Group's available-for-sale financial assets which are measured at fair value as of December 31, 2017 and 2016:

2017

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Real estate	**December 31, 2017**	**₱755,384**	₱755,384	₱–	₱–
Tourism and leisure	**December 31, 2017**	**99,883**	99,883	–	–
Retail	**December 31, 2017**	**83,886**	83,886	–	–
Financial Asset Management	**December 31, 2017**	**8,330**	8,330	–	–
Utilities and energy	**December 31, 2017**	**3,995**	3,995	–	–
Telecommunication	**December 31, 2017**	**70**	70	–	–
Unquoted					
Tourism and leisure	**Various**	**₱490,535**	₱–	₱–	₱490,535
Utilities and energy	**Various**	**19,878**	–	–	19,878
Real estate	**Various**	**12,388**	–	–	12,388
Telecommunication	**Various**	**892**	–	–	892
		₱1,475,241	₱951,548	₱–	₱523,693

2016

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Real estate	December 31, 2016	₱777,388	₱777,388	₱–	₱–
Tourism and leisure	December 31, 2016	70,050	70,050	–	–
Utilities and energy	December 31, 2016	626	626	–	–
Telecommunication	December 31, 2016	14	14	–	–
Unquoted					
Tourism and leisure	Various	₱504,527	₱–	₱–	₱504,527
Utilities and energy	Various	20,431	–	–	20,431
Real estate	Various	11,888	–	–	11,888
Telecommunication	Various	248	–	–	248
		₱1,385,172	₱848,078	₱–	₱537,094

11. Land and Improvements

The rollforward analysis of this account follows:

	2017	2016
	(In Thousands)	
Cost		
Balance at beginning of year	**₱102,163,492**	₱94,009,199
Additions	**3,977,950**	13,493,335
Transfers (Notes 8, 13 and 37)	**(10,586,093)**	(5,339,042)
Balance at end of year	**95,555,349**	102,163,492
Allowance for impairment losses		
Balance at beginning of year	**706,693**	706,693
Net provision during the year (Note 22)	**572,001**	–
Balance at end of year	**1,278,694**	706,693
	₱94,276,655	₱101,456,799

Interest capitalized amounted to ₱15.31 million in 2017. The capitalization rate ranges from 2.50%-4.75% (see Note 17).

In December 2017, the Company acquired land in San Jose del Monte, Bulacan amounting to ₱185.26 million.

On December 15, 2017, Amaia sold a parcel of land in Bicutan amounting to ₱285.75 million.

On October 25, 2017, Ayala Hotels, Inc. transferred parcels of land to inventories for its PCT North Project amounting to ₱402.48 million.

On September 14, 2017, Amorsedia acquired parcels of land amounting to ₱193.85 million for its Phase 7c project. There is also a transfer of land to investment property amounting to ₱1.89 billion.

On September 5, 2017, Southgateway purchased 193,232 sq. m. of land in Cavite amounting to ₱364.35 million.

In September 2017, the Ayala Hotels and Resorts Corporation purchased a parcel of land situated in Sicogon Island, Cales, Iloilo from Sicogon Development Corporation (SIDECO) for a total amount of ₱278.11 million.

In June 2017, the Company acquired properties in Laguna for its ALP Cerilio Project amounting to ₱2.96 billion and is subsequently transferred to its inventory account.

On May 24, 2017, Bellavita Land Corporation acquired lot for Naga Project amounting to ₱91.03 million.

In 2017, the Group recorded provision amounting to ₱572.0 million, net of the ₱49.0 million reversal of impairment, on its properties located in Las Piñas City (see Note 35).

In 2016, Alveo acquired properties located in Las Piñas City and Makati City for a total amount of ₱3,640.8 million.

On November 24, 2016, BellaVita acquired a property located in Lian, Batangas with a total area of 43,020 square meters (sqm) for a total value of ₱20.4 million.

On September 8, 2016, Accendo acquired parcels of land located in Toril, Davao City with an aggregate area 682,195 sqm for a total acquisition cost of ₱511.7 million.

On August 17, 2016, BellaVita executed the Deed of Absolute Sale (DOAS) for the purchase of property located in Brgy. San Jose, San Miguel, Iloilo with total land area of 10,975 sqm for a total acquisition cost of ₱5.5 million.

On August 3, 2016, the Group acquired control of Prow wherein part of the acquisition are various parcels of land located in Porac, Pampanga held by the Company for future use and improvements totaling to ₱2,748.0 million.

On June 24, 2016, Avida executed the DOAS with Wyeth Philippines, Inc. for the acquisition of 11,000 sqm parcel of land located along Chino Roces Avenue, Makati City amounting to ₱1,981.4 milllion.

On April 11, 2016, Aviana Development Corporation acquired parcels of land with a total acquisition cost of ₱1,205.4 million comprising 252,410 sqm in total. This land is for the development of Azuela Cove, a high-end horizontal residential project, located at Lanang, Davao City.

On February 9, 2016, CHI purchased parcels of land located in Mandaue City, Cebu amounting to ₱266.8 million consisting of 8,261 sqm.

On November 6, 2015, the Company executed the DOAS for the acquisition of 95,620 sqm property located along Barangay Talipapa, Novaliches, Quezon City amounting to ₱1,090.0 million purchase price (net of capital gains tax). The acquisition is in pursuant to the Terms of Reference (TOR) as of March 4, 2015 between the Company and the SEC-appointed Liquidator of Rubberworld Philippines, Inc.

On October 12, 2015, the Company donated 60,000 sqm of real properties to De La Salle Santiago Zobel School which is located in Cavite and with carrying amount of ₱108.7 million. This was recognized as a donation and contribution under general and administrative expenses account.

In July 2015, Avida entered into a contract with AC for the purchase of land in San Antonio, Makati City with the purchase price amounted to ₱644.1 million, inclusive of VAT. Payments were made in two tranches, with the first one in July 2015 amounting to ₱471.6 million (inclusive of VAT and CWT) and the balance of ₱172.5 million in October 2015.

On June 30, 2015, the Group, through SM-ALI Group consortium, participated and won the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is a portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. SM and ALI shouldered the total consideration amounting to ₱10,010.0 million by 56.99% and 43.01% proportion, respectively. SM-ALI Group consortium is a consortium among SM Prime Holdings, Inc. (SM), ALI and Cebu Holdings, Inc.. The SM-ALI Group will co-develop the property pursuant to a joint master plan.

12. Investments in Associates and Joint Ventures

This account consists of:

	2017	2016
	(In Thousands)	
Investment in stocks – cost		
Balance at beginning of year	**₱20,766,514**	₱13,624,179
Additions	**1,073,319**	7,231,339
Disposals	**(196,654)**	(89,004)
Balance at end of year	**21,643,179**	20,766,514

(Forward)

	2017	2016
	(In Thousands)	
Accumulated equity in net earnings:		
Balance at beginning of year	**₱4,218,803**	₱3,897,339
Equity in net earnings during the year	**865,566**	554,414
Dividends received during the year	**(621,579)**	(232,950)
Balance at end of year	**4,462,790**	4,218,803
Subtotal	**26,105,969**	24,985,317
Equity in cumulative translation adjustment	**694,854**	–
	₱26,800,823	₱24,985,317

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Details of the Group's investments in associates and joint ventures and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2017	2016	**2017**	2016
			(In Thousands)	
Joint ventures:				
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	**₱3,916,375**	₱4,159,444
Berkshires Holdings, Inc. (BHI)	**50**	50	**1,910,360**	1,833,775
Cebu District Property Enterprise, Inc. (CDPEI)	**42**	42	**1,476,052**	1,487,279
Alveo-Federal Land Communities, Inc.	**50**	50	**661,201**	604,634
ALI-ETON Property Development Corporation	**50**	50	**603,719**	14,472
AyaGold Retailers, Inc. (AyaGold)	**50**	50	**95,842**	110,851
BYMCW, Inc.	**31**	–	**51,000**	–
SIAL Specialty Retailers, Inc. (SIAL Specialty)	**50**	50	**26,462**	190,203
SIAL CVS Retailers, Inc. (SIAL CVS)	**50**	50	**–**	113,588
			8,741,011	8,514,246
Associates:				
OCLP Holdings, Inc.(OHI)	**21**	21	**7,737,712**	7,320,660
Modular Construction Technology Bhd (MCT)	**33**	33	**7,471,123**	6,399,685
Bonifacio Land Corp. (BLC)	**10**	10	**1,395,035**	1,369,646
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	**49**	49	**673,769**	623,967
Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City)	**40**	40	**464,977**	341,789
Mercado General Hospital, Inc. (MGHI)	**33**	33	**279,274**	372,984
Lagoon Development Corporation	**30**	30	**34,991**	39,409
BIB Aurora Insurance Corp.	**10**	10	**2,931**	2,931
			18,059,812	16,471,071
			₱26,800,823	₱24,985,317

As of December 31, 2017 and 2016, the Group had total commitments relating to the Group's interests in the joint ventures amounting to nil and ₱39.0 million, respectively.

The Company considers a subsidiary as a subsidiary with material NCI, an associate and a joint venture with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the subsidiary compared to other operations of the Group. There are no significant restrictions on the Company's ability to use assets and settle liabilities of the Group.

Financial information of the associates with material interest

OHI

OHI owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses. In 2016, ALI acquired a 21.1% stake in OHI consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships. The acquisition was made possible via the purchase of shares from existing OHI shareholders, and this was recorded under “Investments in associates and joint ventures” account for ₱7,320.7 million. In 2017, the Group finalized the purchase price allocation of its acquisition of OHI through business combination in March 2016. The final purchase price allocation resulted in gain from bargain purchase of ₱148.0 million.

Below is the summarized financial information for OHI:

	2017	2016
	(In Thousands)	
Current assets	**₱14,885,750**	₱12,591,279
Noncurrent assets	**11,733,438**	9,425,958
Current liabilities	**6,816,078**	5,134,495
Noncurrent liabilities	**14,350,692**	12,732,080
Equity	**5,452,418**	4,150,662
Proportion of Group’s ownership	**21.1%**	21.1%
Group’s share in identifiable net assets	**1,150,460**	875,790
Carrying amount of the investment	**7,737,712**	7,320,660
Fair value adjustments	**6,587,252**	6,444,870
Negative Goodwill	**148,046**	–
Dividends received	**₱34,865**	₱100,000

Net assets attributable to the equity holders of OHI amounted to ₱5,452.4 million and ₱4,150.7 million as of December 31, 2017 and 2016, respectively.

	2017	2016
	(In Thousands)	
Revenue	**₱6,738,000**	₱5,610,180
Cost and expenses	**(5,283,000)**	(4,861,262)
Net income (continuing operations)	**1,455,000**	748,918
Group’s share in net income for the year	**305,550**	130,418
Total comprehensive income	**1,455,000**	748,918
Group’s share in total comprehensive income for the year	**305,550**	130,418

MCT

On April 6, 2015, the Group, through its wholly-owned subsidiary, RWIL, has acquired 9.16% of the shares of Modular Construction Technology (MCT) Bhd. (formerly Malaysian company GW Plastics Holdings Bhd.), through a private placement for a total amount of US$43.0 million or ₱1,900.0 million. MCT, first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid- to affordable residential. The company is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, inhouse trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants.

In May 2015, the Group entered into call option agreements with the two founders and majority shareholders of MCT, Barry Goh Ming Choon and Tong Seech Wi, that will give the Group the opportunity to increase its shareholdings in MCT up to a maximum of 32.95%. Then, on October 15, 2015, the Group exercised its option to acquire additional shares of MCT for a total cost of US$92.0 million to bring its total shareholding from 9.16% to 32.95%. The increase in stake will provide the Company with the opportunity to establish a stronger foothold in the Real Estate sector in Malaysia. RWIL received dividends from MCT on October 19, 2015 which amounted to US$0.58 million or ₱26.6 million.

Set out below is the summarized financial information for MCT:

	2017	2016
	(In Thousands)	
Current assets	**₱9,465,034**	₱7,816,983
Noncurrent assets	**8,752,953**	6,935,143
Current liabilities	**5,690,285**	4,130,767
Noncurrent liabilities	**2,634,264**	2,203,962
Equity	**9,893,438**	8,417,397
Proportion of Group's ownership	**32.95%**	32.95%
Group's share in identifiable net assets	**3,259,888**	2,773,532
Carrying amount of the investment	**7,471,123**	6,399,685
Fair value adjustments	**3,345,445**	3,345,445
Dividends received	**₱–**	₱–

Net assets attributable to the equity holders of MCT amounted to ₱9,893.4 million and ₱8,417.4 million as of December 31, 2017 and 2016, respectively.

	2017	2016
	(In Thousands)	
Revenue	**₱5,989,162**	₱6,979,340
Cost and expenses	**(5,288,527)**	(6,077,833)
Net income (continuing operations)	**700,635**	901,507
Group's share in net income for the year	**230,859**	297,046
Total comprehensive income	**700,635**	901,507
Group's share in total comprehensive income for the year	**230,859**	297,046

BLC

The Group has a 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. BLC is a private company incorporated on October 20, 1994 and there is no quoted market price available for its shares. Its registered office and principal place of business is Taguig, Philippines.

Set out below is the summarized financial information for BLC:

	2017	2016
	(In Thousands)	
Current assets	**₱8,253,289**	₱14,012,604
Noncurrent assets	**37,357,443**	30,254,770
Current liabilities	**4,606,258**	4,276,972
Noncurrent liabilities	**7,332,631**	7,783,821
Equity	**33,671,843**	32,206,581
Less: noncontrolling interest	**15,324,979**	14,982,764
Equity attributable to Parent Company	**18,346,864**	17,223,817
Proportion of Group's ownership	**10.1%**	10.1%
Group's share in identifiable net assets	**1,853,033**	1,739,606
Carrying amount of the investment	**1,395,035**	1,369,646
Negative goodwill	**(457,998)**	(369,960)
Dividends received	**₱26,610**	₱24,612

Net assets attributable to the equity holders of BLC amounted to ₱18,346.9 million and ₱17,223.8 million as of December 31, 2017 and 2016, respectively.

	2017	2016
	(In Thousands)	
Revenue	**₱6,207,544**	₱4,416,105
Cost and expenses	**(3,766,383)**	(2,997,385)
Net income (continuing operations)	**2,441,161**	1,418,720
Net income attributable to minority interest	**1,119,548**	651,253
Net income attributable to parent	**1,321,613**	767,467
Group's share in net income for the year	**133,483**	77,514
Total comprehensive income attributable to parent	**1,321,613**	767,467
Group's share in total comprehensive income for the year	**133,483**	77,514

Aggregate financial information on associates with immaterial interest (Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI and others) is as follows:

	2017	2016
	(In Thousands)	
Carrying amount	**₱1,455,942**	₱1,381,080
Share in income (loss) from continuing operations	**(75,995)**	78,989
Share in total comprehensive income (loss)	**(75,995)**	78,989

Financial information of joint venture with material interest

ECHI	**2017**	2016
	(In Thousands)	
Current assets	**₱13,980,028**	₱12,587,798
Noncurrent assets	**30,806,231**	32,069,271
Current liabilities	**4,313,401**	3,902,484
Noncurrent liabilities	**7,396,186**	8,236,551
Equity	**33,076,672**	32,518,034
Less: minority interest	**23,833,518**	23,204,699
Equity	**9,243,154**	9,313,335
Proportion of Group's ownership	**50%**	50%
Group's share in identifiable net assets	**4,621,577**	4,656,668
Carrying amount of the investment	**3,916,375**	3,974,039
Fair value adjustment	**705,202**	682,629
Dividends received	**₱350,000**	₱140,000

	2017	2016
	(In Thousands)	
Revenue	**₱6,167,341**	₱4,404,787
Cost and expenses	**(3,806,627)**	(2,994,583)
Net income (continuing operations)	**2,360,714**	1,410,204
Net income attributable to minority interest	**1,730,425**	1,027,390
Net income attributable to parent	**630,829**	382,814
Group's share in net income for the year	**315,145**	191,417
Total comprehensive income attributable to parent	**629,819**	382,931
Group's share in total comprehensive income for the year	**314,910**	191,466

Net assets attributable to the equity holders of ECHI amounted to ₱9,243.2 million and ₱9,313.3 million as of December 31, 2017 and 2016, respectively.

Aggregate financial information on joint ventures with immaterial interest (BHI, CDPEI, Alveo-Federal, ALI-Eton, SIAL CVS, SIAL Specialty, AyaGold and BYMCW, Inc.) is as follows:

	2017	2016
	(In Thousands)	
Carrying amount	**₱4,824,636**	₱4,354,801
Share in net loss from continuing operations	**(18,985)**	(24,816)
Share in total comprehensive loss	**(18,985)**	(24,816)

The following are the significant transactions affecting the Group's investments in associates and joint ventures:

Investments in ECHI, BHI and BLC
The Company's 5.3% direct investment in BLC and 4.8% through Regent Time are accounted for using the equity method because the Company has significant influence over BLC.

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Neo Oracle Holdings, Inc. [formerly Metro Pacific Corporation (MPC)] as amended:

(a) The assignment to the Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.4% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90.0 million, subject in part to foreign exchange adjustment.
(b) The assignment to the Company and EHI, acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus), of the controlling interest in BLC representing 50.4% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.6% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5.0% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5.0% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Company and EHI jointly hold the 50.4% equity interest in BLC through ECHI and BHI. The Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.4% interest in BLC. BLC owns 55.0% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development. Columbus accounted for the acquisition of the 50.4% interest in BLC using the purchase method.

Subsequent to this, the Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates:

On July 31, 2008, the Group acquired, through the Company, Regent Time and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.7% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in Group's effective interest in BLC to 45.1% as of December 31, 2009.

In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

Investment in AMHRI
In December 2007, the Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprised of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences.

The 7,377-square meter property developed was conveyed by the Company to AMHRI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

In 2012, the Group obtained control over AMHRI and AMHPI through step acquisition as discussed in Note 24.

Investment in Rize-Ayalaland
Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49.0% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments, Inc.

Investment in Cebu District Property Enterprise, Inc.
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 10% CHI and 5% CPVDC.

Investment in Alveo-Federal Land Communities, Inc.
Alveo Land Corp. signed a Joint Venture Agreement (JVA) with Federal Land, Inc. last April 29, 2015 for equal ownership over AFLCI. The JV is for the development of project Lexus located in Laguna near Nuvali.

Investment in ALI-ETON Property Development Corporation
ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between Ayala Land, Inc. LT Group, Inc.. The ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

Investment in BYMCW, Inc.
On August 2, 2017, Bouygues Travaux Publics Philippines Inc. (BYTPPI) incorporated BYMCW Inc. (BYMCW) to engage in general building and contracting business. BYMCW's registered office address is at 2nd floor, Welfare Building, LRTA Compound, Aurora Blvd., Barangay 189, Pasay City, Metro Manila.

On December 6, 2017, MDC acquired 30% ownership over BYMCW after buying fifty one (51) million shares held by BYTPPI.

Investment in AyaGold Retailers, Inc.
AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly owned subsidiary of Puregold Price Club, Inc.) and ALI Capital Corp. (a wholly owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated in October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company's new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both ALI Capital Corp. and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in SIAL Specialty
SIAL Specialty was incorporated on September 27, 2012 as a joint venture between ALI Capital Corp. and Store Specialist, Inc. (SSI). Varejo is a wholly owned subsidiary of the Company. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world. On March 1, 2016, the SIAL entered into a Deed of Absolute Sale with Metro Retail Stores Group, Inc. (Purchaser) to sell assets in its two department stores for a total purchase price of ₱498.81 million.

The partnership, which combines the Company's expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

Investment in SIAL CVS
SIAL CVS is an equally-owned joint venture between ALI Capital Corp., the Company's wholly owned subsidiary and SII, SSI's wholly owned subsidiary.

SIAL CVS shall be the vehicle for the investment in the operation of convenience stores in the Philippines. SIAL CVS capitalizes on the Company's expertise in mixed-use developments and SSI's experience in the Philippine retail market. The Parties agreed to incorporate a special spurpose vehicle that shall form a partnership with FamilyMart Co. Ltd. and Itochu Corporation for the operation of FamilyMart convenience stores in the Philippines.

Investment in MGHI
In July 2013, the Company entered into an agreement with the Mercado Family to acquire Whiteknight Holdings, Inc. (WHI), a 33% equity stockholder of MGHI. Its acquisition of WHI will allow the Company to build a strategic partnership with the Mercado Group and support MGHI's future growth. This partnership also enhances the potential of Ayala Land's development of mixed-use communities by offering the critical component of medical services to complement the residential, shopping centers, office and hotel developments therein.

13. Investment Properties

The rollforward analysis of this account follows:

2017

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	**₱14,482,501**	**₱84,412,874**	**₱ 32,813,911**	**₱131,709,286**
Additions	**825,119**	**7,039,883**	**20,502,732**	**28,367,734**
Disposals	**–**	**(5,019)**	**–**	**(5,019)**
Transfers (Notes 8,11,14 and 37)	**3,859,921**	**1,599,240**	**(3,655,941)**	**1,803,220**
Retirement	**–**	**(51)**	**–**	**(51)**
Balance at end of year	**19,167,541**	**93,046,927**	**49,660,702**	**161,875,170**
Accumulated Depreciation				
Balance at beginning of year	**–**	**23,778,254**	**–**	**23,778,254**
Depreciation	**–**	**3,482,978**	**–**	**3,482,978**
Disposals	**–**	**(4,905)**	**–**	**(4,905)**
Transfers	**–**	**2,453**	**–**	**2,453**
Balance at end of year	**–**	**27,258,780**	**–**	**27,258,780**
Net Book Value	**₱19,167,541**	**₱65,788,147**	**₱49,660,702**	**₱134,616,390**

2016

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	₱11,772,009	₱79,819,764	₱9,854,402	₱101,446,175
Additions	1,441,802	2,217,354	24,167,927	27,827,083
Acquisitions through business combinations (Note 25)	801,288	760,810	–	1,562,098
Disposals	(220,465)	(314,282)	–	(534,747)
Transfers (Notes 8,11,14 and 37)	687,867	1,949,774	(1,208,418)	1,429,223
Retirement	–	(20,546)	–	(20,546)
Balance at end of year	14,482,501	84,412,874	32,813,911	131,709,286
Accumulated Depreciation				
Balance at beginning of year	–	20,981,400	–	20,981,400
Depreciation	–	2,834,555	–	2,834,555
Disposals	–	(1,896)	–	(1,896)
Transfers	–	(45,495)	–	(45,495)
Retirement	–	(3,144)	–	(3,144)
Impairment losses	–	12,834		12,834
Balance at end of year	–	23,778,254	–	23,778,254
Net Book Value	₱14,482,501	₱60,634,620	₱32,813,911	₱107,931,032

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

The aggregate fair value of the Group’s investment properties amounted to ₱329,851.1 million and ₱275,092.7 million as of December 31, 2017 and 2016, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers.

The following table provides the fair value hierarchy of the Group’s investment properties as of December 31, 2017 and 2016:

2017

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Land properties	**Various**	**₱176,546,035**	**₱–**	**₱–**	**₱176,546,035**
Retail properties	**Various**	**82,032,091**	**–**	**–**	**82,032,091**
Office properties	**Various**	**70,133,077**	**–**	**–**	**70,133,077**
Hospital properties	**Various**	**1,139,911**	**–**	**–**	**1,139,911**

2016

	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	Various	₱161,099,922	₱–	₱–	₱161,099,922
Retail properties	Various	70,188,689	–	–	70,188,689
Office properties	Various	42,852,840	–	–	42,852,840
Hospital properties	Various	951,285	–	–	951,285

The values of the land and buildings were arrived at using the Market Data Approach and Cost Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land and condominium unit as it is commonly used in the property market since inputs and data for this approach are available. Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. The valuation used Cost Approach using the Depreciated Replacement Cost Method. This was used by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration, functional obsolescence and economic obsolescence.

For Market Data Approach, the higher the price per sqm., the higher the fair value. For Cost Approach, whose unobservable inputs include price information on construction materials, labor and installation and indirect costs, the higher these costs, the higher the fair value.

The significant unobservable inputs to valuation of investment properties ranges from ₱5,100-₱250,000 per sqm.

Interest capitalized amounted to ₱17.7 million, ₱129.5 million and ₱39.2 million in 2017, 2016 and 2015, respectively. The capitalization rates are 2.50-4.75%, 3.20-4.75% and 4.75-5.32% in 2017, 2016 and 2015, respectively (see Note 17).

Consolidated rental income from investment properties amounted to ₱28,091.4 million, ₱21,319.0 million and ₱18,928.0 million in 2017, 2016 and 2015, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties in 2017, 2016 and 2015 amounted to ₱5,032.9 million, ₱4,436.9 million and ₱4,200.2 million, respectively (see Note 22).

Depreciation and amortization expense pertaining to investment properties amounted to ₱3,483.0 million, ₱2,834.6 million and ₱3,071.4 million in 2017, 2016 and 2015, respectively (see Note 22).

14. Property and Equipment

The rollforward analysis of this account follows:

2017

	Land, Buildings and Improvements	**Machinery and Construction Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Hotel Property and Equipment**	**Total**
			(In Thousands)			
Cost						
Balance at beginning of year	**₱7,442,660**	**₱11,561,696**	**₱5,748,890**	**₱2,545,639**	**₱12,017,826**	**₱39,316,711**
Additions	**475,800**	**256,480**	**388,004**	**679,225**	**526,607**	**2,326,116**
Disposals	**(365,271)**	**(2,233,714)**	**(62,259)**	**(125,761)**	**–**	**(2,787,005)**
Transfers (Notes 13 and 37)	**192,958**	**33,634**	**(13,778)**	**–**	**1,549,288**	**1,762,102**
Balance at end of year	**7,746,147**	**9,618,096**	**6,060,857**	**3,099,103**	**14,093,721**	**40,617,924**

(Forward)

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Accumulated Depreciation and Amortization						
Balance at beginning of year	**₱2,222,943**	**₱4,960,711**	**₱2,943,931**	**₱720,053**	**₱1,964,687**	**₱12,812,325**
Depreciation and amortization (Note 22)	**509,961**	**185,721**	**293,718**	**104,178**	**424,000**	**1,517,578**
Disposals	**(88,574)**	**(1,988,135)**	**(51,703)**	**(105,202)**	**–**	**(2,233,614)**
Transfers	**(1,755)**	**–**	**(698)**	**–**	**–**	**(2,453)**
Balance at end of year	**2,642,575**	**3,158,297**	**3,185,248**	**719,029**	**2,388,687**	**12,093,836**
Net Book Value	**₱5,103,572**	**₱6,459,799**	**₱2,875,609**	**₱2,380,074**	**₱11,705,034**	**₱28,524,088**

2016

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱6,593,562	₱10,084,278	₱3,888,375	₱2,008,272	₱13,213,766	₱35,788,253
Additions	529,771	1,660,259	347,357	612,262	382,614	3,532,263
Additions through consolidation of club shares	319,880	–	1,498,349	–	–	1,818,229
Acquisitions through business combination (Note 25)	7,863	78,459	2,554	–	–	88,876
Disposals	(8,416)	(261,300)	(49,942)	(74,895)	(1,578,554)	(1,973,107)
Transfers (Note 37)	–	–	62,197	–	–	62,197
Balance at end of year	7,442,660	11,561,696	5,748,890	2,545,639	12,017,826	39,316,711
Accumulated Depreciation and Amortization						
Balance at beginning of year	1,809,442	3,599,518	2,530,444	600,889	3,001,505	11,541,798
Depreciation and amortization (Note 22)	414,788	1,595,572	375,128	190,838	378,485	2,954,811
Disposals	(1,287)	(234,379)	(7,136)	(71,674)	(1,415,303)	(1,729,779)
Transfers	–	–	45,495	–	–	45,495
Balance at end of year	2,222,943	4,960,711	2,943,931	720,053	1,964,687	12,812,325
Net Book Value	₱5,219,717	₱6,600,985	₱2,804,959	₱1,825,586	₱10,053,139	₱26,504,386

The consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱1,517.58 million, ₱2,954.8 million and ₱1,991.5 million in 2017, 2016 and 2015, respectively. No interest was capitalized in 2017 and 2016. (see Note 17).

15. Other Noncurrent Assets

This account consists of:

	2017	2016
	(In Thousands)	
Prepaid expenses	**₱6,634,987**	₱9,433,436
Leasehold rights	**4,463,862**	4,643,097
Deposits – others	**2,403,553**	2,477,202
Deferred input VAT	**813,255**	1,132,812
Net pension assets (Note 27)	**76,522**	73,512
Others	**175,092**	386,351
	₱14,567,271	₱18,146,410

Prepaid expenses consist of project costs incurred for unlaunched projects of the Group, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions.

Leasehold rights consist of the following:

- Through the acquisition of POPI, ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR) (see Notes 25 and 33).
- TKPI's leasehold rights pertains to the right to use the property in Apulit Island located in Taytay, Palawan expiring on December 31, 2029.
- NTDCC's leasehold rigts refer to development rights on an 8.3-hectare portion of the MRT Development Corporation, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center.

The movements during the year follow:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱4,643,097**	₱1,116,483
Additions through business combination (Note 25)	**–**	3,611,808
Amortization	**(179,235)**	(85,194)
Balance at end of year	**₱4,463,862**	₱4,643,097

Deposits - others pertain to various utility deposits and security deposits for leases.

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods

Others pertain to prepayments for expenses that is amortized for more than one year.

16. Accounts and Other Payables

This account consists of:

	2017	2016
	(In Thousands)	
Accounts payable	**₱76,977,468**	₱84,689,671
Taxes payable	**19,336,133**	16,023,579
Accrued project costs	**15,946,912**	15,219,497
Accrued salaries and employee benefits	**5,485,382**	4,840,268
Accrued professional and management fees	**3,993,579**	3,021,032
Liability for purchased land	**3,710,462**	6,257,097
Accrued utilities	**2,298,695**	2,182,743
Interest payable	**1,907,503**	1,525,867
Accrued repairs and maintenance	**1,764,627**	1,877,553
Accrued rentals	**1,566,953**	1,391,679
Accrued advertising and promotions	**1,075,653**	1,243,341
Payable to related parties (Note 26)	**640,147**	668,977
Dividends payable	**360,130**	426,244
Retentions payable	**334,796**	344,561
DRP obligation	**230,103**	223,401
Other accrued expenses	**2,055,316**	1,777,604
	₱137,683,859	₱141,713,114

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 30- to 60-day terms, except for accrued project costs.

Accrued project cost are expenses related to materials, overhead and subcontractor cost not yet billed by the contractor.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

DRP obligation pertains to the current portion of the liability arising from the assignment agreement between the Group and MRTDC of the latter's development rights (see Note 34). In consideration of the lease, the Group will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Group's commercial center business. Of the 5% variable amount due, 2.42% shall be directly paid by the Group to the minority shareholders of Monumento Rail Transit Corporation, 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables (see Note 7).

Other accrued expenses consist mainly of accruals from commissions, royalty, transportation and travel, janitorial and security, postal and communication and other expenses.

17. Short-term and Long-term Debts

The short-term debt of ₱17,644.4 million and ₱24,244.4 million as of December 31, 2017 and 2016, respectively, represents peso-denominated bank loans.

In compliance with BSP rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱17,697.5 million and ₱18,254.1 million as of December 31, 2017 and 2016 are secured by a real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to ₱3,121.3 million and ₱2,982.4 million as of December 31, 2017 and 2016, respectively which is accounted as part of the "Investment properties" account.

Peso-denominated short term loans had a weighted average cost of 2.64% and 2.62% per annum in 2017 and 2016.

Long-term debt consists of:

	2017	2016
	(In Thousands)	
Parent Company:		
Bonds:		
Due 2019	**₱12,340,950**	₱12,350,000
Due 2020	**4,000,000**	4,000,000
Due 2022	**12,650,000**	12,650,000
Due 2023	**7,000,000**	7,000,000
Due 2024	**15,000,000**	14,980,000
Due 2025	**15,000,000**	14,989,000
Due 2026	**8,000,000**	8,000,000
Due 2027	**7,000,000**	–
Due 2033	**2,000,000**	2,000,000
Short-dated notes	**7,100,000**	–
Fixed rate corporate notes (FXCNs)	**9,064,000**	9,157,000
Php - denominated long term loan	**24,873,145**	15,190,739
US Dollar - denominated long term loan	**1,516,624**	1,957,725
	125,544,719	102,274,464

(Forward)

	2017	2016
	(In Thousands)	
Subsidiaries:		
Bonds	**₱5,000,000**	₱5,000,000
Bank loans - Philippine Peso	**23,578,229**	25,558,232
Fixed rate corporate notes	**3,275,000**	3,362,500
	31,853,229	33,920,732
	157,397,948	136,195,196
Less unamortized transaction costs	**656,542**	638,208
	156,741,406	135,556,988
Less current portion	**6,572,775**	5,187,111
	₱150,168,631	₱130,369,877

ALI Parent

Below is the summary of the outstanding Peso bonds issued by the Group:

Year Issued	Term (Years)	Interest rate	Principal Amount (In thousands)	Carrying Value (In thousands) 2017	2016	Features
2012	7.0	5.6250%	₱9,350,000	**₱9,330,126**	₱9,319,055	Fixed rate bond due 2019
2012	10.0	6.0000%	5,650,000	**5,637,991**	5,631,301	Fixed rate bond due 2022
2013	7.0	4.6250%	4,000,000	**3,984,041**	3,978,794	Fixed rate bond due 2020
2013	20.0	6.0000%	2,000,000	**1,983,990**	1,983,403	Fixed rate bond due 2033
2013	10.5	5.0000%	15,000,000	**14,910,133**	14,874,523	Fixed rate bond due 2024
2014	11.0	5.6250%	8,000,000	**7,938,923**	7,919,679	Fixed rate bond due 2025
2015	7.0	4.5000%	7,000,000	**6,953,043**	6,945,687	Fixed rate bond due 2022
2016	9.5	4.7500%	7,000,000	**6,943,375**	6,937,613	Fixed rate bond due 2025
2016	10.0	4.8500%	8,000,000	**7,932,643**	7,926,123	Fixed rate bond due 2026
2016	3.0	3.0000%	2,990,950	**2,969,108**	2,967,243	Homestarter Bond due 2019
2016	7.0	3.8915%	7,000,000	**6,943,949**	6,935,625	Fixed rate bond due 2023
2017	10.0	5.2624%	7,000,000	**6,966,801**	−	Fixed rate bond due 2027
Total				**₱82,494,123**	₱75,419,046	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company's 2017 bond issue "PRS Aaa" with a stable outlook, and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds.

Philippine Peso 21-month Note due 2019
In July 2017, the Company issued and listed on the Philippine Dealing & Exchange Corp. a ₱4,300.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 2.75% p.a. The Corporate Notes will mature in April 2019.

Philippine Peso 15-month Note due 2019
In November 2017, the Company issued and listed on the Philippine Dealing & Exchange Corp. a ₱3,100.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 3.25% p.a. The Corporate Notes will mature in February 2019.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In January 2011, the Company issued ₱10,000.0 million FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.6% to 7.5% p.a. depending on the term of the notes. The Company prepaid ₱1,950.0 million of notes due in 2016 on January 19, 2013. In 2014, the Company paid ₱43.0 million for the matured portion of the loan. In January 2016, the Company paid ₱3,750 million notes for the

matured portion of the loan. In 2017, the Company paid ₱43.0 million for the matured portion of the loan. As of December 31, 2017 and 2016, the remaining balance of the FXCN amounted to ₱4,214.0 million and ₱4,257.0 million, respectively.

Philippine Peso 10-year Note due 2022
In December 2012, the Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.5%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In 2015, the ₱50.0 million was prepaid by the Company. In 2016, another ₱50.0 million was prepaid by the Company. In 2017, the Company paid another ₱50.0 million. As of December 31, 2017 and 2016, the remaining balance of the note amounted to ₱4,850.0 million and ₱4,900.0 million, respectively.

Peso-denominated Long-term Loans
In August to September 2015, the Company assumed an aggregate of ₱15,442.3 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.7% p.a. and terms ranging from 4.4 years to 10.5 years. In 2016, the Company paid ₱251.6 million. During 2017, the Company also paid ₱317.6 million for its current portion Peso-denominated loans. In March 2017, the Company executed a ₱10,000.0 million long-term facility with a domestic bank, of which the Company had simultaneously drawn an initial ₱5,000.0 million. The loan carries a fixed interest rate of 4.949% p.a. and a term of 10 years. The balance of facility of ₱5,000.0 million was drawn in April 2017. As of December 31, 2017 and 2016, remaining balance of the Peso-denominated long-term loans amounted to ₱24,873.1 million and ₱15,190.7 million, respectively.

US Dollar-denominated Long-term Loans
In October 2012, the Company executed and had fully withdrawn a US$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014 and October 2015, the Company made partial prepayments on the loan in the amount of US$5.8 million and US$12.8 million, respectively. Subsequently in March 2016, a US$30.0 million long-term facility was assigned by ALI Makati Hotel Property, Inc. to the Company. The assigned loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly and had a remaining term of 3 years and 4 months from the time of assignment.

Subsidiaries
The subsidiaries' loans will mature on various dates up to 2027. Peso-denominated loans bear various floating interest rates at 60 bps to 80 bps spread over the benchmark 91-day PDST-R2 or and fixed interest rates ranging from 3.56% to 5.75% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) 95.0% or par of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or (ii) the BSP Overnight Rate plus a spread of 20 bps to 75 bps p.a. or (iii) the average of the Bangko Sentral ng Pilipinas Overnight Deposit Rate and Term Deposit Facility with a term closed to the 90-day interest period. The total outstanding balance of the subsidiaries' loans as of December 31, 2017 and 2016 amounted to ₱26,853.2 million and ₱28,920.7 million loans, respectively.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021
In June 2014, Cebu Holdings, Inc. issued a total of ₱5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.3% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of December 31, 2017 and 2016.

Interest capitalized amounted to ₱61.8 million and ₱265.7 million in 2017 and 2016, respectively. The capitalization rates are 2.5-5.05% in 2017 and 3.2-6.5% in 2016 (see Notes 8, 13 and 14).

Transaction costs capitalized amounted to ₱129.8 million and ₱263.7 million in 2017 and 2016, respectively. Amortization amounted to ₱111.5 million and ₱63.5 million in 2017 and 2016, respectively and included under “Interest and other financing charges” (see Note 22).

18. Deposits and Other Current Liabilities

This account consists of:

	2017	2016
	(In Thousands)	
Customers’ deposits	**₱14,687,399**	₱7,905,405
Security deposits	**6,758,019**	7,245,837
Others	**298,402**	436,781
	₱21,743,820	₱15,588,023

Customers’ deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

Security deposits are equivalent to one (1) to three (3) months’ rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

Other current liabilities mostly pertain to unearned income and unreleased checks.

19. Deposits and Other Noncurrent Liabilities

This account consists of:

	2017	2016
	(In Thousands)	
Deposits	**₱20,406,315**	₱19,542,253
Retentions payable	**8,376,115**	6,485,226
Contractors payable	**7,955,096**	9,266,399
Liability for purchased land	**2,303,140**	2,099,051
DRP obligation	**728,390**	656,638
Subscriptions payable	**498,175**	498,175
Other liabilities	**1,590,415**	773,648
	₱41,857,646	₱39,321,390

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to one (1) to three (3) months’ rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertains to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Group for the processing of title are charged to this account.

Retentions payable pertains to the amount withheld by the Group on contractors' billings to be released after the guarantee period, usually one (1) year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

DRP obligation pertains to the liability arising from the assignment agreement between NTDCC and MRTDC of the latter's development rights (see Note 35). In consideration of the lease, the Company will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Company's commercial center business.

The Group's subscription payable pertains to POPI's investment in Cyber Bay.

On April 25, 1995, Central Bay, a wholly-owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void. Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA.

On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC.

With the nullification of the AJVA, Central Bay has suspended all Project operations. On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₱10,200.0 million with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007.

On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA. As at October 3, 2013, the claim is still being evaluated by the PRA.

On November 13, 2012, the SEC approved the conversion of debt to equity of Cyber Bay resulting to a change in percentage ownership of POPI from 22.3% to 10.5%. The management assessed that POPI ceased to have significant influence over Cyber Bay. As a result of the debt to equity conversion, the investment in Cyber Bay was reclassified to AFS financial asset.

As at December 31, 2017, the Group has unpaid subscription in Cyber Bay amounting to ₱481.7 million. The investment in Cyber Bay under “AFS financial assets” amounted to ₱777.3 million as of December 31, 2017 (see Note 10).

Other liabilities include nontrade payables and warranty payables.

20. **Equity**

The details of the number of shares follow:

December 31, 2017

	Number of Shares		Amount	
	Preferred	**Common**	**Preferred**	**Common**
		(In Thousands)		
Authorized	**15,000,000**	**20,000,000**	**₱1,500,000**	**₱20,000,000**
Issued	**13,066,495**	**14,606,355**	**₱1,306,649**	**₱14,606,355**
Subscribed	**–**	**118,592**	**–**	**118,592**
Issued and outstanding	**13,066,495**	**14,724,947**	**₱1,306,649**	**₱14,724,947**

December 31, 2016

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
		(In Thousands)		
Authorized	15,000,000	20,000,000	₱1,500,000	₱20,000,000
Issued	13,066,495	14,597,263	₱1,306,649	₱14,597,263
Subscribed	–	115,419	–	115,419
Issued and outstanding	13,066,495	14,712,682	₱1,306,649	₱14,712,682

Preferred Shares (₱0.10 par value per share)
The Company’s preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Company’s BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court’s ruling that nonvoting shares do not count as equity when computing for a company’s Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of ₱0.10.
b. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by ₱1,300.0 million creating new voting preferred shares and a stock rights offer of 13,000 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.7% per annum, equivalent to 90.0% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.
The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 million preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and

b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

As of December 31, 2017, the Company's authorized and outstanding preferred shares amounted to ₱1,500.0 million and ₱1,306.6 million, respectively.

Common Shares (₱1.00 par value per share)
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Company or for cash to acquire properties or assets needed for the business of the Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Company's Stock Option Plans for members of the management committees of the Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Company to include the members of the Management Committees of the Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward analysis of the outstanding number of common shares follows:

	2017	2016
	(In Thousands)	
At beginning of year	**14,712,682**	14,695,631
Additional subscriptions	**12,265**	17,051
At end of year	**14,724,947**	14,712,682

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On January 9, 2015, the Executive Committee of the Company approved a top-up placement of 484,848,500 common shares of the Company at a price of ₱33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Company. The Company completed the placement on January 12, 2015, raising an aggregate of ₱16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱194.0 million.

On March 6, 2013, the Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at ₱30.50 per share. The Company completed the top-up placement, raising an aggregate of ₱12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20.00 per share, and the issuance of equal number of new shares of the Company, at the same price of ₱20.00 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Company completed the top-up placement, raising an aggregate of ₱13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On April 2, 2008, the Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On July 5, 1991, the Company launched its initial public offering where a total of 400 million common shares were offered at an offering price of ₱26.00 per share. The registration statement was approved on July 20, 1992. The Company has 9,209 and 9,362 existing shareholders as of December 31, 2017 and 2016, respectively.

Treasury Shares

The amendment of the Articles of Incorporation on April 17, 2013 allowed the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.50 per share resulting to additional paid-in capital of ₱1,601.6 million.

On July 16, 2012, the Company redeemed the 13.0 billion outstanding non-voting preferred shares through payment of the redemption price of ₱0.10 per share. As of December 31, 2012, the redeemed preferred shares were treated as treasury shares and were subsequently retired upon approval of the Company's SEC application for the decrease in authorized capital stock on January 31, 2013.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Company's balance sheet management program and aims to (i) improve the Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value.

In 2008, the Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

Retained Earnings
The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.48, ₱0.48 and ₱0.42 per share in 2017, 2016 and 2015, respectively, to all issued and outstanding shares.

On February 20, 2017, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 22, 2017 to the shareholders on record as of March 6, 2017. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Company's unlisted voting preferred shares. These were paid on June 29, 2017 to the shareholders on record as of June 15, 2017.

On August 18, 2017, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.24 per share. The cash dividend was paid out on September 15, 2017 to stockholders of common shares on record as of September 5, 2017.

On February 26, 2016, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 23, 2016 to the shareholders on record as of March 11, 2016. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Company's unlisted voting preferred shares. These were paid on June 29, 2016 to the shareholders on record as of June 15, 2016.

On August 18, 2016, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.2380 per share. The cash dividend was paid out on September 16, 2016 to stockholders of common shares as of record date.

Total dividends for common shares declared for 2017 and 2016 amounted to ₱7,065.0 million and ₱6,999.2 million, respectively.

Retained earnings of ₱8,000.0 million are appropriated for future expansion. The increase of ₱2,000.0 million in 2016 represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Company.

The Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Company's mixed-use developments.

The following are among the major capital expenditures of the Company which were approved by the BOD:

a) Ayala Triangle Garden 2 with product offering for a Triple A HQ Office Building, a 5-Star Hotel and 3-level Retail Podium with gardens and civic spaces which was approved by the Board on May 29, 2015. The project was launched in June 2015 and expected to be completed in 2020.

b) Ayala Center Redevelopment which will offer intermodal transport facility, a 5-storey regional mall, 2 BPO towers, a SEDA hotel and a 300-units residential for lease was approved by the Board on November 27, 2015. The project was launched in January 2016 and expected to be completed in 2021.

Retained earnings also include undistributed net earnings amounting to ₱54,547.0 million and ₱43,674.8 million as of December 31, 2017 and 2016, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures. These are not available for dividend distribution unless declared by subsidiaries and other investees.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Company's retained earnings available for dividend declaration as of December 31, 2017 and 2016 amounted to ₱45,343.5 million and ₱39,123.8 million, respectively.

Cumulative Translation Adjustment
The cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Equity Reserves
In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which brought up the Company's ownership to 72% of the total outstanding capital stock of CHI (see Note 1).

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of the total POPI's outstanding capital stock (see Note 1).

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45 share amounting to ₱1,255.58 million. The acquisition of POPI shares by OLI was treated as an acquisition of non-controlling interest resulting to a debit to equity reserve of ₱405.18 million. This increased ALI's effective ownership to 63.05%.

The transactions were accounted for as an equity transaction since there were no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of Non-controlling interests	Difference recognized within Equity
		(In Thousands)	
5.09% in CHI	₱574,994	₱394,907	₱180,087
11.69% in POPI	1,258,579	852,656	405,923
	₱1,833,573	₱1,247,563	₱586,010

In August 2017, AHRC entered into a memorandum of agreement with Sicogon Development Corporation (SIDECO) and an individual to develop Sicogon Island into a new leisure destination. The investment of SIDECO and an individual to SITEC changed the ownership interest of AHRC in SITEC from 100% to 77% without a loss of control. The difference between the amount by which non-controlling interest of 23% are adjusted and the fair value of consideration paid is recognized directly to equity amounting to ₱134.0 million.

In 2016, ALI purchased additional 201,859,364 common shares of CHI for total consideration of ₱1,209.8 million which brought ALI's ownership from 56.4% to 66.9% (see Note 1). The transaction was accounted for as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of Non-controlling interests	Difference recognized within Equity
		(In Thousands)	
10.5% in CHI	₱1,209,784	₱748,746	₱461,038

In 2015, the Company purchased additional shares from non-controlling interests of CHI, NTDCC, API. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of Non-controlling interests	Difference recognized within Equity
		(In Thousands)	
6.7% in CHI	₱649,927	₱434,074	₱215,853
9.4% in NTDCC	778,356	174,770	603,586
1.9% in API	58,157	45,540	12,617
	₱1,486,440	₱654,384	₱832,056

In 2014, the Company acquired additional shares from non-controlling interests of Philenergy (40.0%), NTDCC (14.5%) and CECI (0.40%) and were accounted as an equity transaction since there was no change in control.

In 2013, the Company acquired additional 32% interest in APPCo and additional 40% interests in TKDC and TKPI increasing its ownership interest to 100%. The transactions were accounted as an equity transaction since there was no change in control. Following is the schedule of the movement in equity reserves recorded within the equity:

	Consideration paid	Carrying value of Non-controlling interests	Difference recognized within Equity
		(In Thousands)	
6.7% in CHI	₱3,520,000	₱797,411	₱2,722,589
9.4% in NTDCC	2,000,000	1,413,960	586,040
	₱5,520,000	₱2,211,371	₱3,308,629

Non-controlling interests

The financial information on the Company's significant subsidiaries with material NCI follows:

CHI and Subsidiaries
CHI, a publicly-listed company, was incorporated in the Republic of the Philippines. It is engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces. The registered office address of CHI is at 20F ACC Tower, Bohol St., Cebu Business Park, Cebu City, Philippines.

	2017	2016
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**28.0%**	33.1%
Accumulated balances of material non-controlling interests	**₱2,340,127**	₱2,560,054
Net income allocated to material non-controlling interests	**250,470**	221,154
Comprehensive income allocated to material non-controlling interests	**250,470**	221,154

The summarized financial information of CHI is provided below. This information is based on amounts before inter-company eliminations.

	2017	2016
	(In Thousands)	
Statement of financial position		
Current assets	**₱3,383,588**	₱3,302,298
Noncurrent assets	**17,260,743**	16,313,325
Current liabilities	**(5,693,010)**	(5,622,602)
Noncurrent liabilities	**(7,003,688)**	(6,566,187)
Total equity	**7,947,633**	7,426,834
Attributable to:		
Equity holders of CHI	**6,989,133**	₱6,527,891
Non-controlling interests	**958,500**	898,943
Dividends paid to non-controlling interests	**–**	–

	For the years ended December 31	
	2017	2016
	(In Thousands)	
Statement of comprehensive income		
Revenue	**₱3,092,234**	₱2,716,933
Cost and expenses	**(2,020,529)**	(1,809,930)
Income before income tax	**1,071,705**	907,003
Provision for income tax	**(258,701)**	(175,232)
Income from operations	**813,004**	731,771
Other comprehensive income (loss)	**(4,195)**	13,366
Total comprehensive income	**808,809**	745,137
Attributable to:		
Equity holders of CHI	**₱752,192**	₱693,029
Non-controlling interests	**56,617**	52,108

	For the years ended December 31	
	2017	2016
	(In Thousands)	
Statement of cash flows		
Operating activities	**₱1,570,101**	(₱92,065)
Investing activities	**(1,330,356)**	392,584
Financing activities	**(157,884)**	(321,190)
Effect of exchange rate changes	**19**	68
Net increase (decrease) in cash and cash equivalents	**₱81,880**	(₱20,603)

The fair value of the investment in CHI amounted to ₱8,079.7 million and ₱7,414.5 million as of December 31, 2017 and 2016, respectively.

POPI and Subsidiaries
POPI was incorporated in the Republic of the Philippines. It is engaged in real estate and property development, manufacturing and retailing/distribution, non-life insurance and other allied services, organized under a number of intermediate holding companies. The Company wholly owns Tutuban

Properties, Inc., which holds the lease and development rights over Tutuban Center in downtown Divisoria.

	2017	2016
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**37%**	49%
Accumulated balances of material non-controlling interests	**₱4,696,993**	₱5,522,005
Net income allocated to material non-controlling interests	**33,888**	12,949
Comprehensive income allocated to material non-controlling interests	**33,888**	12,949

The summarized financial information of POPI is provided below. This information is based on amounts before inter-company eliminations (In Thousands).

	December 31, 2017	December 31, 2016
Statement of financial position		
Current assets	**₱1,869,908**	₱7,915,392
Noncurrent assets	**7,073,001**	6,688,019
Current liabilities	**(539,893)**	(1,166,548)
Noncurrent liabilities	**(1,019,789)**	(2,013,226)
Total equity	**7,383,227**	11,423,637
Attributable to:		
Equity holders of POPI	**₱7,334,130**	₱5,901,632
Non-controlling interests	**49,097**	5,522,005
Dividends paid to non-controlling interests	–	–

	For the period ended December 31, 2017	
Statement of comprehensive income		
Revenue	**₱733,707**	₱447,397
Cost and expenses	**(654,084)**	(414,838)
Income before income tax	**79,623**	32,559
Provision for income tax	**(52,065)**	(7,229)
Income from operations	**27,558**	25,330
Other comprehensive loss	–	–
Total comprehensive income	**27,558**	25,330
Attributable to:		
Equity holders of POPI	**₱20,532**	₱12,381
Non-controlling interests	**7,026**	12,949
Statement of cash flows		
Operating activities	**(₱149,327)**	₱1,359,577
Investing activities	**(4,727,524)**	(1,758,197)
Financing activities	**4,230,458**	(2,487)
Net decrease in cash and cash equivalents	**(₱646,393)**	(₱401,107)

The fair value of the investment in POPI amounted to ₱5,639.2 and ₱5,637.9 million as of December 31, 2017 and 2016, respectively.

Capital Management
The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2017 and 2016, the Group had the following ratios:

	2017	2016
Debt to equity	**90.8%**	92.6%
Net debt to equity	**77.3%**	79.4%

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL (net of Investment in ARCH Capital Fund). Equity, which the Group considers as capital, pertains to the total equity. The Group excludes the "unrealized gain on AFS financial assets" attributable to the equity holders of the Company in computing the debt to equity ratio.

The Group is subject to externally imposed capital requirements due to loan covenants (see Note 17). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2017 and 2016.

Financial risk assessment
The Group's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Group's ratio of fixed to floating rate debt stood at 85:15 and 79:21 as of December 31, 2017 and 2016, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at US$180.6 million and US$30.2 million as of December 31, 2017 and 2016, respectively.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVPL.

21. Interest and Investment Income and Other Income

Interest and investment income consists of:

	2017	2016	2015
		(In Thousands)	
Interest income from banks	**₱476,737**	₱148,352	₱290,596
Interest income from advances to officers/employees and other companies	**101,000**	472,361	384,709
Gain on sale of equipment and other properties	**69,566**	37,447	34,338
Gain on sale of investments	**25,713**	43,657	97,308
Others	**2,035**	1,147	336
	₱675,051	₱702,964	₱807,287

Other income consists of:

	2017	2016	2015
		(In Thousands)	
Marketing and management fees	**₱402,238**	₱142,973	₱481,177
Others - net (Notes 24 and 25)	**1,846,321**	516,963	201,428
	₱2,248,559	₱659,936	₱682,605

Other income mainly consists of gain on business combination, realized and unrealized gain on financial asset at FVPL. It also includes the financial impact of net foreign exchange transactions amounting to ₱23.32 million gain, ₱15.4 million loss and ₱191.0 million loss in 2017, 2016 and 2015, respectively. It also includes reversal of impairment losses amounting to ₱1,298.44 million, nil and ₱11.6 million in 2017, 2016, and 2015, respectively (see Note 8). In 2017, the Company reversed its allowance for impairment in inventories due to higher fair value than its carrying amount.

22. Costs and Expenses and Other Charges

Real estate costs and expenses consist of:

	2017	2016	2015
		(In Thousands)	
Cost of real estate sales (Note 8)	**₱59,864,430**	₱47,379,487	₱41,658,262
Hotels and resorts operations	**5,435,408**	3,516,962	3,896,289
Marketing and management fees	**4,492,983**	2,366,929	3,804,804
Depreciation and amortization	**4,113,833**	4,918,250	4,109,023
Rental	**2,105,239**	1,954,860	1,511,182
Manpower costs	**1,212,904**	1,606,117	1,078,310
Materials and overhead	**531,180**	7,061,926	3,143,121
Direct operating expenses:			
Light and water	**2,830,100**	1,423,600	511,841
Taxes and licenses	**2,726,850**	2,412,017	2,183,142
Commission	**1,459,921**	1,394,617	761,387
Repairs and maintenance	**1,082,041**	1,476,788	929,482
Professional fees	**183,563**	195,256	624,122
Insurance	**125,526**	124,194	199,282
Transportation and travel	**118,059**	169,308	133,613
Entertainment, amusement and recreation	**27,539**	37,980	80,576
Others	**1,611,488**	528,113	710,624
	₱87,921,064	₱76,566,404	₱65,335,060

General and administrative expenses consist of:

	2017	2016	2015
		(In Thousands)	
Manpower costs (Notes 27 and 29)	**₱3,756,307**	₱3,852,675	₱3,865,244
Professional fees	**672,843**	477,875	250,524
Taxes and licenses	**595,027**	557,289	500,384
Depreciation and amortization	**484,707**	438,691	425,964
Security and janitorial	**431,002**	357,945	185,227
Utilities	**274,623**	248,977	193,590
Repairs and maintenance	**246,796**	152,106	166,129
Rent	**135,569**	194,883	132,861
Transport and travel	**113,229**	98,660	105,841
Training and seminars	**88,439**	62,591	39,326
Dues and fees	**63,693**	63,480	40,400
Advertising	**59,381**	61,811	74,176
Supplies	**50,674**	49,221	46,430
Entertainment, amusement and recreation	**50,587**	49,870	75,075
Donations and contribution	**42,667**	84,825	126,016
Insurance	**39,510**	113,526	63,440
Others	**169,791**	166,925	301,328
	₱7,274,845	₱7,031,350	₱6,591,955

Manpower costs included in the consolidated statements of income follows:

	2017	2016	2015
		(In Thousands)	
Real estate costs and expenses			
Cost of real estate	**₱1,203,777**	₱1,605,950	₱1,013,310
Hotels and resorts operations	**9,127**	167	65,000
General and administrative expenses	**3,756,307**	3,852,675	3,865,244
	₱4,969,211	₱5,458,792	₱4,943,554

Depreciation and amortization expense included in the consolidated statements of income follows:

	2017	2016	2015
		(In Thousands)	
Real estate costs and expenses:			
Cost of real estate	**₱4,113,833**	₱4,918,250	₱4,109,023
Hotels and resorts operations	**581,252**	517,619	534,608
General and administrative expenses	**484,707**	438,691	425,964
	₱5,179,792	₱5,874,560	₱5,069,595

Other expenses consist of:

	2017	2016	2015
		(In Thousands)	
Provision for (reversals of) impairment losses on:			
Land and improvement (Note 11)	**₱572,001**	₱–	₱196,568
Receivables (Note 7)	**(416,143)**	398,521	187,628
Inventories (Note 8)	**–**	–	82,634
AFS financial assets (Note 10)	**–**	–	28,048
Write-offs and other charges	**1,040,218**	654,686	503,982
	₱1,196,076	₱1,053,207	₱998,860

Interest and other financing charges consist of:

	2017	2016	2015
		(In Thousands)	
Interest expense on:			
Long-term debt	**₱7,393,070**	₱6,114,265	₱5,272,074
Short-term debt	**337,384**	837,918	959,644
Other financing charges	**183,872**	362,204	274,543
	₱7,914,326	₱7,314,387	₱6,506,261

23. Income Tax

Net deferred tax assets:

	2017	2016
		(In Thousands)
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱7,873,272**	₱5,777,280
Accrued expenses	**1,204,205**	2,382,935
Allowance for probable losses	**606,470**	1,226,796
NOLCO	**565,564**	196,101
Retirement benefits	**283,469**	426,350
Unrealized foreign exchange losses	**57,162**	69,832
Advanced rentals	**23,719**	4,620
Others	**485,887**	314,000
	11,099,748	10,397,914
Deferred tax liabilities on:		
Capitalized interest and other expenses	**(447,596)**	(512,191)
Others	**(4,139)**	(7,173)
	(451,735)	(519,364)
	₱10,648,013	₱9,878,550

Net deferred tax liabilities:

	2017	2016
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱522,615**	₱24,178
Allowance for probable losses	**27,907**	55,511
Accrued expense	**26,384**	20,020
NOLCO	**3,871**	15,586
Advanced rentals	**–**	20,189
Unrealized foreign exchange loss	**–**	727
Others	**70,139**	11,982
	650,916	148,193
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	**(1,624,814)**	(2,064,770)
Difference between tax and book basis of accounting for real estate transactions	**(1,922,421)**	(1,906,826)
Capitalized interest and other expenses	**(15,658)**	(148,767)
Retirement benefits	**(29,302)**	(18,739)
Unrealized foreign exchange gain	**(3,120)**	(2,742)
Insurance recovery	**–**	(98,382)
Prepaid expenses	**–**	(829)
Others	**(599,392)**	(263,668)
	(4,194,707)	(4,504,723)
	(₱3,543,791)	(₱4,356,530)

As of December 31, 2017 and 2016 deferred tax liabilities have not been recognized on the undistributed earnings and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

Certain subsidiaries of the Company have NOLCO amounting to ₱1,290.6 million and ₱1,016.7 million as of December 31, 2017 and 2016, respectively and MCIT amounting to ₱24.2 million and ₱15.3 million as of December 31, 2017 and 2016, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2017, total unrecognized NOLCO and MCIT amounted to ₱262.67 million and ₱0.4 million, respectively. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2014	₱251,265	₱251,265	₱–	2017
2015	452,065	–	425,065	2018
2016	313,385	–	313,385	2019
2017	552,168	–	552,168	2020
	₱1,568,883	₱251,265	₱1,290,618	

MCIT:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2014	₱1,307	₱1,307	₱–	2017
2015	8,063	–	8,063	2018
2016	5,960	–	5,960	2019
2017	10,164	–	10,164	2020
15,330	₱25,494	₱1,307	₱24,187	

Reconciliation between the statutory and the effective income tax rates follows:

	2017	2016	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Income under tax holiday and other nontaxable income (Note 31)	**(0.57)**	(3.11)	(2.32)
Equity in net earnings of associates and joint ventures	**(0.68)**	(0.51)	(1.98)
Interest income and capital gains taxed at lower rates	**(2.51)**	(0.65)	(0.41)
Others – net	**(0.38)**	(0.53)	(0.59)
Effective income tax rate	**25.86%**	25.20%	24.70%

Deferred tax related to remeasurement gain on defined benefit plans recognized in OCI amounted to ₱84.4 million and ₱32.4 million in 2017 and 2016, respectively.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Board of Investments (BOI) Incentives

The Board of Investments issued certificates of registrations to the following companies in accordance with the existing Omnibus Investment Code. The projects have been granted an Income Tax Holiday (ITH) for a fixed period from the date of registration or actual start of operations, whichever is earlier.

	Registration Date	**Project Location**	**ITH Start**	**ITH Period**
Econorth Resort Ventures Inc.	2017	Seda Lio	March 2018	4 years
Capitol Central Hotel Ventures, Inc.	December 2017	Seda Capitol Central	December 2017	4 years
Sentera Hotel Ventures, Inc.	September 11, 2015	Seda Nuvali	August 2015	4 years
Ecosouth Hotel Ventures, Inc.	April 01, 2014	Seda Atria Hotel	May 2014	4 years
Greenhaven Properrty Ventures, Inc.	March 2013	Holiday Inn & Makati Suites	March 2019	6 years
Southcrest Hotel Ventures Inc	February 2013	Seda Abreeza	February 2017	4 years
Bonifaco Hotel Ventures, Inc.	June 2012	Seda BGC	June 2018	6 years
Northgate Hotel Ventures Inc.	January 2012	Seda Centrio	January 2012	6 years
AMHPI	December 2007	Fairmont/ Raffles	December 2010	6 years
MDC Conqrete, Inc.	November 10, 2015	Modular Housing	November 2015	4 years
MDC Build Plus, Inc.	September 2013	Dasmarinas Cavite	September 2013	4 years
Southgateway Dev't. Corp.	July 29, 2015	Avida Cloverleaf T1	July 2015	3 years
BellaVita Land Corporation	September 17, 2015	San Pablo, Laguna	September 2015	4 years
BellaVita Land Corporation	May 15, 2015	Porac, Pampanga	May 2015	4 years
BellaVita Land Corporation	March 05, 2013	Alaminos, Pangasinan	March 2015	4 years

(Forward)

	Registration Date	Project Location	ITH Start	ITH Period
BellaVita Land Corporation	August 30, 2012	General Trias, Cavite	August 2012	4 years
Amaia Land Corp.	April 26, 2017	Amaia Steps Alabang - Delicia	April 2017	3 years
Amaia Land Corp.	April 26, 2017	Amaia Steps Capitol Central	April 2017	3 years
Amaia Land Corp.	April 20, 2017	Amaia Steps Sucat - Isabela	April 2017	3 years
Amaia Land Corp.	November 14, 2016	Novaliches, QC	December 2016	3 years
Amaia Land Corp.	September 21, 2016	Amaia Scapes Iloilo	September 2016	4 years
Amaia Land Corp	November 24, 2015	Amaia Cabuyao S2	November 2015	4 years
Amaia Land Corp	August 24, 2015	Amaia Scapes CDO S1	August 2015	4 years
Amaia Land Corp	August 19, 2015	Amaia Nuvali Parkway	August 2015	3 years
Amaia Land Corp	August 10, 2015	Amaia Scapes San Pablo	August 2015	4 years
Amaia Land Corp	July 24, 2015	Amaia Steps Altaraza B-A	July 2015	3 years
Amaia Land Corp	July 23, 2015	Amaia Gen. Trias S2	July 2015	3 years
Amaia Land Corp	July 21, 2015	Amaia Novaliches	July 2015	3 years
Amaia Land Corp	July 20, 2015	Amaia Steps Pasig 1B	July 2015	3 years
Amaia Land Corp	June 18, 2015	Amaia Scapes Bauan S1	June 2015	4 years
Amaia Land Corp.	June 4, 2015	Amaia Scapes Camsur S1	June 2015	4 years
Amaia Land Corp.	May 21, 2015	Amaia Scapes Batangas	May 2015	4 years
Amaia Land Corp.	May 21, 2015	Amaia Cabuyao S1	May 2015	4 years
Amaia Land Corp.	March 11, 2015	Amaia Scapes Pampanga	March 2015	4 years
Amaia Land Corp.	March 11, 2015	Amaia Scapes Trese S1	March 2015	4 years
Amaia Land Corp.	March 11, 2015	Amaia Shaw T1	March 2015	3 years
Amaia Land Corp.	February 11, 2015	Urdaneta Pangasinan	February 2015	3 years
Amaia Land Corp.	February 11, 2015	Amaia Steps Nuvali	February 2015	3 years
Amaia Land Corp.	April 1, 2013	Amaia Scapes Tarlac	Apri 2013	4 years
Avida Land Corp.	September 4, 2015	Avida Prime Taft Tower 3	September 2015	3 years
Avida Land Corp.	June 16, 2015	Avida Atria Tower 2	July 2015	3 years
Avida Land Corp.	June 16, 2015	Avida Serin East Tower 1	July 2015	3 years
Avida Land Corp.	April 30, 2015	Avida Altura Tower 2	May 2015	3 years
Avida Land Corp.	April 30, 2015	Avida Asten Tower 2	May 2015	3 years

24. Statement of Cash Flows

Disclosed below is the roll forward of liabilities under financing activities:

	January 1, 2017	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2017
			(In Thousands)		
Short-term debt	₱24,244,350	(₱6,600,000)	₱–	₱–	₱17,644,350
Current long-term debt	5,187,111	1,362,005	–	23,659	6,572,775
Non-current long-term debt	130,369,877	20,263,514	–	(464,760)	150,168,631
Dividends payable (Note 16)	426,244	(8,295,914)	8,229,800	–	360,130
Deposits and other noncurrent liabilities	39,321,390	2,536,256	–	–	41,857,646
Total liabilities from financing activities	₱199,548,972	₱9,265,861	₱8,229,800	(₱441,101)	₱216,603,532

25. Business Combinations and Acquisition of Non-controlling Interests

Business Combinations

Prime Orion Philippines, Inc. (POPI)
On February 24, 2016, Ayala Land, Inc. purchased 2.5 billion common shares or 51.4% interest in POPI for a total consideration ₱5,625.0 million. On July 4, 2016, the Company obtained control over POPI. Accordingly, POPI financial statements were consolidated on a line-by-line basis with that of the Group as of December 31, 2016.

In 2017, the Company finalized its purchase price allocation and there were no changes to the fair market values of the assets acquired and liabilities assumed.

The following are the fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash	₱1,300,869
Trade and other receivables	6,119,799
Inventories	273,299
Other current assets	293,598
Financial assets at FVPL	17,903
AFS investments	1,394,192
Leasehold rights	3,611,808
Investment properties	1,562,098
Property, plant and equipment	88,876
Other noncurrent assets	93,012
	14,755,454
Liabilities	
Accounts and other payables	1,160,303
Deferred tax liabilities – net	1,422,162
Deposits and other liabilities	788,175
	3,370,640
Net assets	11,384,814
Total net assets acquired	5,813,086
Acquisition cost	5,625,000
Negative goodwill	(₱188,086)

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected. The negative goodwill amounting to ₱188.1 million is included under “Other income” in 2016.

Of the total consideration of ₱5,625.0 million, only 25% or ₱1,406.3 million was paid on February 24, 2016, the remaining ₱4,218.8 million which is to be paid upon fulfillment of certain terms and conditions is included as part of “Trade and other receivables”.

From July 4 to December 31, 2016, the Group’s share in POPI’s revenue and net income amounted to ₱229.8 million and ₱12.9 million. If the combination had taken place at the beginning of 2016, the Group’s share in POPI’s revenue and net income (loss) would have been ₱435.8 million and (₱202.2 million), respectively.

ALO Prime Realty Corporation (*formerly*, Aegis PeopleSupport Realty Corporation)
On April 8, 2015, the Company purchased all of the 8,200,000 common shares of Equinox Technoparks Ltd, Inc. in Aegis PeopleSupport Realty Corporation (APRC) for a total consideration of ₱513.68 million. APRC, which is a PEZA-registered entity, owns the Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease.

On April 14, 2015, the BOD approved the change of its corporate name to ALO Prime Realty Corporation. On July 9, 2015, the amended Articles of Incorporation was executed and subsequently approved by SEC on July 15, 2015.

The following are the fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash	₱15,580
Trade and other receivables	305,070
Other current assets	5,740
Investment properties (Note 13)	1,584,929
Other noncurrent assets	4,095
	1,915,414
Liabilities	
Accounts and other payables	1,336,692
Deposits and other noncurrent liabilities	56,962
Deferred tax liabilities	8,083
	1,401,737
Total net assets acquired	513,677
Acquisition cost	513,677
Goodwill	₱–

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From April 8 to December 31, 2015, the Group's share in APRC's revenue and net income amounted to ₱141.1 million and ₱72.3 million, respectively. If the combination had taken place at the beginning of 2015, the Group's share in APRC's total revenue and net income would have been ₱189.8 million and ₱94.8 million, respectively.

Airswift Transport, Inc.
On December 1, 2015, ALI Capital Corp. (formerly Varejo Corp.), a wholly owned subsidiary of the Company, acquired 100% interest in Island Transvoyager, Inc, (ITI) following the purchase of all outstanding shares from existing shareholders, in the amount of ₱15.0 million.

ITI was incorporated on October 2, 2002 with the primary purpose of carrying on the general business of a common carrier and/or private carrier. It was granted the Air Carrier Operating Certificate by the Air Transportation Office to enable it to operate as a scheduled domestic air transportation service provider.

ITI is the only airline commercially flying from Manila to Lio in El Nido, Palawan. On November 26, 2015, ITI launched "AirSwift" as its new brand and introduced its new Cebu-El Nido-Cebu route. As of end-2015, it currently operates a fleet of two (2) ATR 42-500 that can seat a maximum of 50 passengers each, and operates 3x-4x daily flights to El Nido. It is also expected to be a key player in the industry as it flies to more tourism destinations not serviced by the bigger commercial airlines.

If the combination had taken place at the beginning of 2015, the Group's share in ITI's total revenue and net income would have been ₱434.80 million and ₱0.19 million, respectively.

Acquisition of Non-controlling Interests

Prime Orion Philippines, Inc. (POPI)
In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of the total POPI's outstanding capital stock.

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45 share amounting to ₱1,255.58 million. The acquisition of POPI shares by OLI was treated as an acquisition of non-controlling interest resulting to a debit to equity reserve of ₱405.18 million. This increased ALI's effective ownership to 63.05%.

Cebu Holdings, Inc. (CHI)
On various dates in 2017, ALI acquired a total of 5.1% additional ownership interst in CHI for a total consideration of ₱574.99 million. This brought ALI's ownership from 66.9% to 72.0% of the outstanding capital stock of CHI and there was no change in control.

In 2016, ALI acquired a total of 10.5% additional ownership in CHI for a total consideration of ₱1,209.8 million. This brought ALI's ownership from 56.4% to 66.9% of the outstanding capital stock of CHI and there was no change in control.

NTDCC
On December 10, 2014, the Group purchased its proportionate share in Anglo Philippine Holdings Corporation's 15.8% interest in NTDCC for ₱738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. This increased the Company's ownership in NTDCC from 49.3% to 58.5% of the total outstanding capital stock of NTDCC which owns and operates the Trinoma Commercial Centre in North Triangle, Quezon City.

Subsequently, on December 22, 2014, the Company purchased the shares of Allante Realty and Development Corporation and DBH Incorporated in NTDCC for ₱211.2 million each of which comprises of 154,287 common shares and 648,196 preferred shares for each company. This resulted to an increase in the Company's ownership in NTDCC from 49.3% to 63.8% of the total outstanding capital stock of NTDCC.

On February 6, 2015, ALI purchased the remaining interest of Anglo Philippine Holdings Corporation (Anglo) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 382,072 common shares and 1,605,169 preferred shares amounting to ₱523.0 million. The transaction brings ALI's ownership from 63.8% to 70.4% of the total outstanding capital stock of NTDCC.

Then, the Group purchased the combined remaining interest of Allante Realty and Development Corporation (Allante) and DBH, Inc. (DBH) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 167,548 common shares and 703,904 preferred shares amounting to ₱229.0 million which brought ALI's ownership in NTDCC from 70.36% to 73.24% of the total outstanding capital stock of NTDCC. This acquisition is aligned with ALI's thrust of expanding its leasing business.

26. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

In its regular conduct of business, the Group has entered into transactions with its parent company, associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

a. Transactions with Bank of the Philippine Islands (BPI), an associate of AC

Cash and cash equivalents earn interest from 1.6% to 4.8% per annum for Philippine Peso-denominated and 0.8% to 2.1% per annum for USD-denominated investments. Investment in FVPL are UITF which earns interest depending on the duration of time invested in the fund. Interest earned with investments in BPI for the year amounted to ₱122.97 million and ₱56.65 million in 2017 and 2016, respectively.

Short-term debts are secured peso denominated bank loans with interest rate ranging from 2.5% to 3.0% while long-term debts bear fixed rates ranging from 3.63% to 5.5% and floating rates ranging from 1.88% to 4.375% per annum with remaining terms ranging from less than a year to 9.9 years. Interest expense incurred on borrowings from BPI amounted to ₱458.17 million and ₱628.76 million for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the Group maintains current and savings account, money market placements and short-term and long-term debt payable with BPI broken down as follows:

	2017	2016
	(In Thousands)	
Cash in bank	**₱3,886,603**	₱2,790,167
Cash equivalents	**4,362,631**	3,361,140
Investment in FVPL	**82,978**	977,589
Short term debt	**5,405,000**	5,669,100
Long-term debt	**12,292,473**	17,342,089

b. Outstanding balances with parent company, associates and other related party

Receivables from/payables to other related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. Payables to related parties consist of expenses incurred on utilities, professional services and other miscellaneous services as well as purchases of vehicles. These are generally trade-related, noninterest-bearing and settled within one year.
Outstanding balances from/to related parties follow (amounts in thousands):

<u>2017</u>

	Receivable from related parties			**Payable to related parties**		
	Current	**Noncurrent**	**Total**	**Current**	**Noncurrent**	**Total**
Parent Company	**₱100,648**	**₱–**	**₱100,648**	**₱73,123**	**₱–**	**₱73,123**
Associates	**618,218**	**–**	**618,218**	**211,962**	**–**	**211,962**
Other related parties:						
FBDC	**536,754**	**–**	**536,754**	**10,348**	**–**	**10,348**
Globe Telecom (Globe)	**126,007**	**–**	**126,007**	**3,792**	**–**	**3,792**
BPI	**122,675**	**–**	**122,675**	**44,125**	**–**	**44,125**
Columbus	**–**	**–**	**–**	**267,355**	**–**	**267,355**
Others	**230,175**	**–**	**230,175**	**29,442**	**–**	**29,442**
	1,015,611	**–**	**1,015,611**	**355,062**	**–**	**355,062**
	₱1,734,477	**₱–**	**₱1,734,477**	**₱640,147**	**₱–**	**₱640,147**

2016

	Receivable from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Parent Company	₱98,685	₱–	₱98,685	₱72,965	₱–	₱72,965
Associates	231,206	–	231,206	253,077	–	253,077
Other related parties:						
FBDC	455,170	–	455,170	1,171	–	1,171
Globe Telecom (Globe)	234,323	–	234,323	5,861	–	5,861
BPI	52,452	–	52,452	46,891	–	46,891
Columbus	–	–	–	267,355	–	267,355
Others	44,909	–	44,909	21,657	–	21,657
	786,854	–	786,854	342,935	–	342,935
	₱1,116,745	₱–	₱1,116,745	₱668,977	₱–	₱668,977

c. Revenue and expenses from related parties

The revenue from parent company, associates and other related parties pertains mostly to income from leasing and development projects while expenses composed of management fees and training expenses. These are usually non-interest bearing and not impaired. Transactions are settled within one year.

Revenue and expenses from related parties follow:

Revenue from related parties:

	2017	2016	2015
		(In Thousands)	
Parent Company	**₱5,114**	₱51,914	₱3,934
Associates	**1,564,343**	46,237	44,128
Other Related Parties			
Bank of the Philippine Islands	**192,803**	222,045	189,584
Globe Telecom, Inc.	**113,889**	221,243	46,062
Psi Technologies	**82,164**	109,486	115,087
Panay Medical Ventures, Inc.	**57,356**	–	–
Manila Water Company, Inc. (MWCI)	**2,384**	1,128	918
Laguna AAA Waterworks Corp. (LAWC)	**1,500**	1,500	1,500
Michigan Holdings, Inc.	**1,198**	–	–
Manila Water Philippine Ventures, Inc.	**1,118**	–	–
Innove Communications	**271**	–	–
FBDC	**–**	212,448	75,282
Others	**2,522**	19,528	13,382
	455,205	787,378	441,815
Total	**₱2,024,662**	₱885,529	₱489,877

Expenses from related parties:

	2017	2016	2015
		(In Thousands)	
Parent Company	**₱16,489**	₱29,318	₱575,303
Associates	**206,050**	2,095	725,139
Other Related Parties			
Manila Water Company, Inc.	**222,386**	194,836	157,937
Bank of the Philippine Islands	**195,143**	217,097	96,931
AG Counselors Corp.	**172,799**	179,881	166,811
Manila Water Philippine Ventures, Inc.	**117,078**	–	–
Innove Communications, Inc.	**52,129**	42,238	30,930
Globe Telecom, Inc.	**50,131**	58,434	49,318
LAWC	**5,564**	–	–
FBDC	**–**	192,697	155,598
BPI Securities Corp.	**–**	–	90,560
Others	**77,406**	177,360	20,387
	892,636	1,062,543	768,472
Total	**₱1,115,175**	₱1,093,956	₱2,068,914

The following describes the nature of the material transactions of the Group with related parties as of December 31, 2017 and 2016:

- On January 12, 2016, the Company has entered into a partnership with Manila Water Philippine Ventures, Inc, a wholly owned subsidiary of Manila Water Company, Inc, for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Revenue and expense in 2017 amounted to ₱1.1 million and ₱117.1 million, respectively and ₱6.8 million and ₱113.4 million in 2016, respectively.
- Certain credit facilities with BPI with a total carrying value of ₱17,697.5 million and ₱18,254.1 million as of December 31, 2017 and 2016, respectively, are secured by a real estate mortgage. This is in compliance with BSP ruling on directors, officers, stockholders and related interests.
- On April 17, 2012, AC awarded the Daang Hari-SLEX Link road project to MDC with total contract price of ₱804.4 million. The scope of work includes the construction of a 4 km. toll road that will exit South Luzon near the Susana Heights Interchange passing through government properties in Muntinlupa and will end in Daang Hari in Imus, Cavite. The project was started last June 2012 and was completed in June 2015. Additional accomplishments from change orders in 2016 amounting to ₱46.3 million, pertain to direct works on the toll plaza, main tunnel across SLEX and segments of roads in Daang Hari.
- In November 2012, BG South, a subsidiary of Alveo, entered into a contract with FBDC for the purchase of land in Bonifacio Global City. The Deed of Absolute Sale related to the contract was executed in 2012 for which the purchase price amounted to ₱727.8 million, plus VAT. As of 2017, ₱801.9 million, inclusive of VAT, were paid by BG South. Outstanding payable amounted to ₱13.3 million and ₱70.4 million as of December 31, 2017 and 2016, respectively.
- On May 20, 2013, DirectPower and its customers, which are all within the Ayala Group, entered into a Retail Electricity Supply contract wherein DirectPower agreed to supply electricity at a specific rate pursuant to the provisions and implementing rules and regulations of R.A. No. 9136 or the Electric Power Industry Reform Acts of 2001. Among the customers of Direct Power are FBDC, LDC, BPI, San Lazaro BPO Complex and 6750 Ayala Ave.
- Revenue from Globe pertains to development management fee and for lease of spaces.

d. Remuneration of Key Management Personnel (KMP)

Key management personnel of the Group include all officers with position of vice president and up. Compensation of key management personnel amounted to ₱141.3 million and ₱145.5 million in 2017 and 2016, respectively.

Compensation of key management personnel by benefit type follows:

	2017	2016
	(In Thousands)	
Short-term employee benefits	**₱129,686**	₱129,980
Post-employment benefits (Note 27)	**11,623**	15,497
	₱141,309	₱145,477

27. **Retirement Plan**

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust fund being maintained by the trustee banks such as BPI Asset Management and Trust Corporation (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follows:

	2017	2016	2015
		(In Thousands)	
Current service cost	**₱372,590**	₱283,522	₱309,459
Past service cost	**–**	–	519
Net interest cost on benefit obligation	**149,523**	99,337	59,893
Total pension expense	**₱522,113**	₱382,859	₱369,871

The remeasurement effects recognized in other comprehensive income (included in Equity under "Remeasurement gain (loss) on pension liabilities") in the consolidated statements of financial position follow:

	2017	2016	2015
		(In Thousands)	
Return gain (loss) plan assets (excluding amount included in net interest)	**₱22,169**	₱49,760	₱19,383
Remeasurement loss (gain) due to liability experience	**(55,893)**	(73,212)	208,473
Remeasurement gain due to liability assumption changes - demographic	**(14,319)**	–	235
Remeasurement loss (gain) due to liability assumption changes – economic	**(233,247)**	(84,504)	(427,955)
Remeasurements in other comprehensive income gain	**(₱281,290)**	(₱107,956)	(₱199,864)

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2017 and 2016, are as follows:

	2017	2016
	(In Thousands)	
Benefit obligations	**₱3,560,752**	₱3,573,076
Plan assets	**(2,101,603)**	(2,147,750)
Net pension liability position	**₱1,459,149**	₱1,425,326

As of December 31, 2017 and 2016 pension assets (included under "other noncurrent assets") amounted to ₱76.5 million and ₱73.5 million, respectively, and pension liabilities amounted to ₱1,535.7 million and ₱1,498.8 million, respectively.

Changes in net defined benefit liability of funded funds in 2017 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2017	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Remeasurement (gain)/loss due to liability experience	Remeasurement (gain)/loss due to liability assumption changes - demographic	Remeasurement (gain)/loss due to liability assumption changes - economic	Net remeasurement loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2017
Present value of defined benefit obligation	**₱3,573,076**	**₱372,590**	**₱–**	**₱255,112**	**₱627,702**	**(₱280,414)**	**₱–**	**(₱55,893)**	**(₱14,319)**	**(₱233,247)**	**(₱303,459)**	**₱–**	**(₱17,309)**	**₱(38,844)**	**₱3,560,752**
Fair value of plan assets	**(2,147,750)**	**–**	**–**	**(105,589)**	**(105,589)**	**292,343**	**22,169**	**–**	**–**	**–**	**22,169**	**(201,620)**	**–**	**38,844**	**(2,101,603)**
Net defined benefit liability (asset)	**₱1,425,326**	**₱372,590**	**₱–**	**₱149,523**	**₱522,113**	**₱11,929**	**₱22,169**	**(₱55,893)**	**(₱14,319)**	**(₱233,247)**	**(₱281,290)**	**(₱201,620)**	**(₱17,309)**	**₱–**	**₱1,459,149**

*excluding amount included in net interest

Changes in net defined benefit liability of funded funds in 2016 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2016	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Remeasurement (gain)/loss due to liability experience	Remeasurement (gain)/loss due to liability assumption changes - demographic	Remeasurement (gain)/loss due to liability assumption changes - economic	Net remeasurement loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2016
Present value of defined benefit obligation	₱3,547,234	₱283,522	₱–	₱203,196	₱486,718	(₱296,107)	₱–	(₱73,212)	₱–	(₱84,504)	(157,716)	₱–	(₱7,053)	₱–	₱3,573,076
Fair value of plan assets	(2,109,193)	–	–	(103,857)	(103,857)	293,819	49,760	–	–	–	49,760	(278,279)	–	–	(2,147,750)
Net defined benefit liability (asset)	₱1,438,041	₱283,522	₱–	₱99,339	₱382,861	(₱2,288)	₱49,760	(₱73,212)	₱–	(₱84,504)	(₱107,956)	(₱278,279)	(₱7,053)	₱–	₱1,425,326

*excluding amount included in net interest

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2017	2016
	(In Thousands)	
Cash and cash equivalents	**₱99,619**	₱130,565
Equity investments		
Unit Investment Trust Funds	**174,888**	255,119
Mutual Funds	**90,727**	81,344
Holding Firms	**56,937**	165,052
Financials	**37,021**	33,552
Property	**31,708**	17,269
Industrials	**15,168**	56,649
Services	**10,213**	16,885
Mining and Oil	**10**	–
	416,672	625,870
Debt investments		
Government securities	**639,492**	551,440
AAA rated debt securities	**466,886**	2,535
Not rated debt securities	**431,374**	783,466
	1,537,752	1,337,441
Other assets	**47,560**	53,876
	₱2,101,603	₱2,147,752

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of ₱292.76 million to its retirement fund in 2018.

The allocation of the fair value of plan assets follows:

	2017	2016
Investments in debt securities	**73.17%**	62.27%
Investments in equity securities	**19.83%**	29.14%
Others	**7.00%**	8.59%

Funds invested in debt securities include government securities, corporate notes and bonds and money market placements. Investments in equity securities consist of investments in PSE listed stocks and unit investment trust funds. Others were in the form of cash and cash equivalents.

The Group's transactions with the fund mainly pertain to contributions, benefit payments and settlements.

As of December 31, 2017 and 2016, the funds include investment in securities of its related parties. Details of the investment per type of security are as follows:

	December 31, 2017			December 31, 2016
	Carrying Value	**Fair Value**	**Unrealized (Gain) Loss**	Fair Value
	(In Thousands)			
Investments in debt securities	**₱359,428**	**₱350,270**	**₱9,158**	₱274,876
Investments in equity securities	**97,563**	**106,459**	**(8,896)**	233,063
Others	**57,985**	**57,858**	**127**	18,783
	₱514,976	**₱514,587**	**₱389**	₱526,722

The plan assets include shares of stock of the Company with fair value amounting to ₱17.7 million, and ₱13.2 million as of December 31, 2017 and 2016, respectively. The Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Company amounting to ₱74.2 million and ₱74.3 million as of December 31, 2017 and 2016, respectively. The loss of the fund arising from investment in debt securities of the Company amounted to ₱0.8 million and a gain arising from equity securities amounting to ₱0.8 million.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2017	2016
Discount rates	**4.98 to 5.89%**	4.7 to 5.5%
Future salary increases	**1.2 to 8.0%**	3.0 to 10.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2017

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Discount rate	**(₱192,030)**	**₱385,674**
Salary increase rate	**375,423**	**(182,399)**

2016

	Effect on income before income tax Increase (decrease	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Discount rate	(₱364,226)	₱479,698
Salary increase rate	448,909	(237,998)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	**2017**	2016
	(In Thousands)	
1 year and less	**₱292,760**	₱112,555
more than 1 years to 5 years	**1,646,853**	526,911
more than 5 years to 10 years	**1,981,683**	5,538,959
more than 10 years to 15 years	**9,805,099**	24,171,901
more than 15 years to 20 years	**769,920**	737,246
more than 20 years	**5,202,878**	6,060,622

The average duration of the defined benefit obligation is 7.6 to 26.1 years and 11.0 to 25.0 years years in 2017 and 2016, respectively.

28. Earnings Per Share

The following tables present information necessary to compute EPS (amounts in thousands except EPS):

EPS on net income attributable to equity holders of Ayala Land, Inc. are as follows:

	2017	2016
	(In Thousands)	
Net income attributable to equity holders of Ayala Land, Inc.	**₱25,304,965**	₱20,908,011
Dividends on preferred stock	**(62,038)**	(62,038)
Net income attributable to equity holders of the Parent for basic and diluted earnings per share	**₱25,242,927**	₱20,845,973
Weighted average number of common shares for basic EPS	**14,721,881**	14,588,347
Dilutive shares arising from stock options	**66,997**	1,196
Adjusted weighted average number of common shares for diluted EPS	**14,788,878**	14,589,543
Basic EPS	**₱1.71**	₱1.43
Diluted EPS	**₱1.71**	₱1.43

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012. This has an antidilutive effect on the computation of diluted EPS.

29. Stock Options and Ownership Plans

The Company has stock option plans for key employees covering 2.5% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

No ESOP grant and availment during 2017 and 2016. In 2015, the options exercised had a weighted average exercise price of ₱5.63 per share or ₱16.09 million. The average fair market value of the shares at the exercise date was ₱36.53 per share or about ₱104.4 million.

ESOWN
In November 2001, the Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. The Binomial Tree model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years except for 2017 grant.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2017	**WAEP**	2016	WAEP
At January 1	**7,135,513**	**₱19.95**	8,734,420	₱16.96
Granted	**11,420,517**		15,182,203	
Subscribed	**(10,424,599)**	**26.65**	(17,051,221)	24.11
Availment	**2,768,790**		678,086	
Cancelled	**(1,953,912)**		(407,975)	
At December 31	**8,946,309**	**₱19.47**	7,135,513	₱19.95

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model (BTM) and Black-Scholes Merton (BSM) Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date						
	March 01, 2017	April 05, 2016	March 20, 2015	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011
Number of unsubscribed shares	–	181,304	–	1,369,887	1,713,868	3,967,302	3,843,057
Fair value of each option (BTM)	₱8.48	₱13.61	₱16.03	₱12.60	₱16.05	₱9.48	₱7.81
Fair value of each option (BSM)	₱–	₱18.21	₱20.63	₱12.16	₱11.85	₱6.23	₱7.27
Weighted average share price	₱39.72	₱35.58	₱36.53	₱31.46	₱30.00	₱21.98	₱15.5
Exercise price	₱27.68	₱26.27	₱29.58	₱22.55	₱21.45	₱14.69	₱13.2
Expected volatility	30.95%	32.03%	31.99%	33.50%	36.25%	33.00%	36.25%
Dividend yield	1.34%	1.27%	1.02%	1.42%	1.93%	0.9%	1.01%
Interest rate	4.41%	4.75%	4.11%	3.13%	2.78%	5.70%	5.60%

Total expense (included under "General and administrative expenses") recognized in 2017, 2016 and 2015 in the consolidated statements of income arising from share-based payments amounted to ₱153.8 million, ₱208.3 million and ₱213.6 million, respectively (see Note 22).

30. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVPL	**₱540,606**	**₱540,606**	₱1,964,540	₱1,964,540
Available-for-Sale Financial Assets				
Unquoted equity securities	**523,693**	**523,693**	537,094	537,094
Quoted equity securities	**951,548**	**951,548**	848,078	848,078
	₱2,015,847	**₱2,015,847**	₱3,349,712	₱3,349,712
Loans and Receivables				
Trade residential and office development	**₱89,198,616**	**₱89,355,705**	₱79,286,123	₱79,618,899
Receivable from employees	**831,860**	**831,875**	739,826	740,163
	₱90,030,476	**₱90,187,580**	₱80,025,949	₱80,359,062
Other Financial Liabilities				
Long-term debt	**₱156,741,406**	**₱149,526,824**	₱135,556,988	₱135,188,310
Deposits and other noncurrent liabilities	**21,710,147**	**17,936,898**	19,058,884	18,960,428
	₱178,451,553	**₱167,463,722**	₱154,615,872	₱154,148,738

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - UITF - These are investments in fund. Fair value is based on net asset values as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from - 4.53% to 7.20% and 3.96% to 6.88% as of December 31, 2017 and 2016.

AFS quoted equity securities - Fair values are based on quoted prices published in markets.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 3.93% to 7.20% and 0.19% to 6.52% as of December 31, 2017 and 2016, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Company categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted AFS financial assets amounting to ₱951.5 million and ₱848.1 million as of December 31, 2017, and 2016, respectively were classified under Level 1 (see Note 10).

Unquoted AFS financial assets amounting to ₱523.7 million and ₱537.1 million as of December 31, 2017 and 2016, respectively were classified under Level 3 (see Note 10).

Investment in Arch Capital Fund amounting to ₱457.6 million and ₱435.5 million as of December 31, 2017, and 2016, respectively were classified under Level 3 (see Note 6).

Investment in Unit Investment Trust Fund (UITF) amounting to ₱82.98 million and ₱1,529.09 million as of December 31, 2017, and 2016, respectively were classified under Level 2 (see Note 6).

There have been no reclassifications from Level 1 to Level 2 categories in December 31, 2017 and 2016.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily

to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2017 and 2016.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at a loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2017 and 2016 based on contractual undiscounted payments:

December 31, 2017

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	**₱116,440,223**	**₱–**	**₱–**	**₱116,440,223**
Short-term debt	**17,644,350**	**–**	**–**	**17,644,350**
Long-term debt	**6,583,334**	**67,181,422**	**83,633,192**	**157,397,948**
Deposits and other current liabilities	**6,758,019**	**–**	**–**	**6,758,019**
Deposits and other noncurrent liabilities	**7,545,748**	**13,436,009**	**728,390**	**21,710,147**
	₱154,448,547	**₱80,617,431**	**₱84,361,582**	**₱319,950,687**
Interest payable*	**₱6,207,902**	**₱23,029,949**	**₱11,764,882**	**₱41,002,733**

**includes future interest payment*

December 31, 2016

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱124,163,668	₱–	₱–	₱124,163,668
Short-term debt	24,244,350	–	–	24,244,350
Long-term debt	5,417,098	50,807,501	79,970,597	136,195,196
Deposits and other current liabilities	7,245,837	–	–	7,245,837
Deposits and other noncurrent liabilities	9,366,716	11,727,866	551,182	21,645,764
	₱170,437,669	₱62,535,367	₱80,521,779	₱313,494,815
Interest payable*	₱6,332,507	₱19,873,540	₱11,290,170	₱37,496,217

**includes future interest payment*

Cash and cash equivalents, short-term investments and financial assets at FVPL are used for the Group’s liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. As of December 31, 2017 and 2016, undrawn loan commitments from long-term credit facilities amounted nil and ₱420.0 million, respectively.

Credit risk

Credit risk is a risk that a counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group’s credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group’s stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group’s credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group's maximum exposure to credit risk as of December 31, 2017 and 2016 is equal to the carrying values of its financial assets, except for the following:

December 31, 2017

	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
		(In Thousands)		
Accounts and notes receivable:				
Trade receivables:				
Residential and office	**₱89,198,616**	**₱128,121,506**	**₱–**	**₱89,198,616**
Shopping center	**2,709,587**	**1,691,089**	**1,018,498**	**1,691,089**
Corporate business	**1,605,933**	**803,007**	**802,927**	**803,007**
Receivables from employees	**831,860**	**191,469**	**640,391**	**191,469**
	₱94,345,996	**₱130,807,071**	**₱2,461,816**	**₱91,884,181**

December 31, 2016

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
		(In Thousands)		
Accounts and notes receivable:				
Trade receivables:				
Residential and office	₱79,299,678	₱141,583,109	₱–	₱79,299,678
Shopping center	2,558,391	2,840,013	–	2,558,391
Corporate business	2,541,996	640,006	1,901,990	640,006
Receivables from employees	739,826	315,886	423,940	315,886
	₱85,139,891	₱145,379,014	₱2,325,930	₱82,813,961

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2017 and 2016, the aging analysis of past due but not impaired trade receivables presented per class, follow:

December 31, 2017

	Neither Past Due nor Impaired	**Past Due but not Impaired**						**Individually Impaired**	**Total**
		<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**		
					(In Thousands)				
Trade:									
Residential and office development	**₱78,002,747**	**₱1,919,761**	**₱1,661,734**	**₱1,903,018**	**₱1,923,855**	**₱3,787,501**	**₱11,195,869**	**₱–**	**₱89,198,616**
Shopping centers	**1,173,130**	**223,190**	**88,550**	**273,673**	**80,647**	**466,491**	**1,132,551**	**403,906**	**2,709,587**
Construction contracts	**1,515,589**	**230,384**	**242,186**	**84,440**	**67,198**	**328,382**	**952,590**	**26,547**	**2,494,726**
Corporate business	**1,080,987**	**44,152**	**53,175**	**26,832**	**116,657**	**204,921**	**445,737**	**79,209**	**1,605,933**
Management fees	**286,416**	**-**	**10,461**	**4,526**	**4,229**	**20,368**	**39,584**	**2,614**	**328,614**
Others	**1,042,885**	**142,876**	**44,697**	**20,118**	**23,835**	**75,000**	**306,526**	**27,438**	**1,376,849**
Accrued receivables	**4,105,494**	**44,388**	**86,060**	**55,768**	**62,569**	**345,888**	**594,673**	**–**	**4,700,167**
Related parties	**750,201**	**258,946**	**238,871**	**67,739**	**190,345**	**228,375**	**984,276**	**–**	**1,734,477**
Receivables from employees	**775,781**	**4,599**	**3,193**	**6,330**	**757**	**41,200**	**56,079**	**–**	**831,860**
	₱88,733,230	**₱2,868,296**	**₱2,428,927**	**₱2,442,444**	**₱2,470,092**	**₱5,498,126**	**₱15,707,885**	**₱539,714**	**₱104,980,829**

December 31, 2016

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential and office development	₱67,697,421	₱1,286,091	₱1,558,333	₱1,269,238	₱1,056,797	₱6,431,798	₱11,602,257	₱–	₱79,299,678
Construction contracts	1,883,335	369,478	51,560	4,472	107,854	267,302	800,666	26,547	2,710,548
Shopping centers	1,017,276	184,005	123,814	84,916	66,716	736,558	1,196,009	345,106	2,558,391
Corporate business	1,986,089	166,347	37,116	17,291	46,543	230,987	498,284	57,623	2,541,996
Management fees	284,033	–	3,933	2,444	4,622	11,685	22,684	2,614	309,331
Others	731,006	36,576	20,908	182	345	37,462	95,473	81,362	907,841
Accrued receivables	2,366,431	40,481	231,929	54,966	58,758	602,853	988,987	–	3,355,418
Related parties	393,236	211,872	167,135	57,346	64,067	223,089	723,509	–	1,116,745
Receivables from employees	699,446	3,903	3,383	1,695	4,282	27,117	40,380	–	739,826
	₱77,058,273	₱2,298,753	₱2,198,111	₱1,492,550	₱1,409,984	₱8,568,851	₱15,968,249	₱513,252	₱93,539,774

The table below shows the credit quality of the Company's financial assets as of December 31, 2017 and 2016:

December 31, 2017

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
	(In Thousands)							
Cash and cash equivalents (excluding cash on hand)	₱20,945,895	₱–	₱–	₱–	₱20,945,895	₱–	₱–	₱20,945,895
Short-term investments	4,739,734	–	–	–	4,739,734	–	–	4,739,734
Financial assets at FVPL	540,606	–	–	–	540,606	–	–	540,606
Accounts and notes receivables:								
Trade:								
Residential and office development	69,673,802	4,420,801	3,908,144	–	78,002,747	11,195,869	–	89,198,616
Shopping centers	864,438	172,244	136,448	–	1,173,130	1,132,551	403,906	2,709,587
Construction contracts	1,515,589	–	–	–	1,515,589	952,590	26,547	2,494,726
Corporate business	975,600	60,065	45,322	–	1,080,987	445,737	79,209	1,605,933
Management fees	228,921	4,454	53,041	–	286,416	39,584	2,614	328,614
Others	887,298	54,287	101,300	–	1,042,885	306,526	27,438	1,376,849
Accrued receivables	3,612,566	269,518	223,410	–	4,105,494	594,673	–	4,700,167
Related parties	492,328	157,672	100,201	–	750,201	984,276	–	1,734,477
Receivable from employees	772,615	926	2,240	–	775,781	56,079	–	831,860
AFS financial assets:								
Unquoted	–	–	–	523,693	523,693	–	–	523,693
Quoted	951,548	–	–	–	951,548	–	–	951,548
	₱106,200,940	₱5,139,967	₱4,570,106	₱523,693	₱116,434,706	₱15,707,885	₱539,714	₱132,682,305

December 31, 2016

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	₱20,851,022	₱–	₱–	₱–	₱20,851,022	₱–	₱–	₱20,851,022
Short-term investments	207,671	–	–	–	207,671	–	–	207,671
Financial assets at FVPL	1,964,540	–	–	–	1,964,540	–	–	1,964,540
Accounts and notes receivables:								
Trade:								
Residential and office development	64,364,927	1,385,148	1,947,346	–	67,697,421	11,602,257	–	79,299,678
Construction contracts	1,883,316	–	19	–	1,883,335	800,666	26,547	2,710,548
Shopping centers	922,971	15,056	79,249	–	1,017,276	1,196,009	345,106	2,558,391
Corporate business	1,943,580	14,433	28,076	–	1,986,089	498,284	57,623	2,541,996
Management fees	267,626	6,377	10,030	–	284,033	22,684	2,614	309,331
Others	731,006	–	–	–	731,006	95,473	81,362	907,841
Accrued receivables	2,189,048	153,189	24,194	–	2,366,431	988,987	–	3,355,418
Related parties	117,276	197,421	78,539	–	393,236	723,509	–	1,116,745
Receivable from employees	645,499	1,642	52,305	–	699,446	40,380	–	739,826
AFS financial assets:								
Unquoted	–	–	–	537,094	537,094	–	–	537,094
Quoted	799,871	–	–	–	799,871	–	–	799,871
	₱96,888,353	₱1,773,266	₱2,219,758	₱537,094	₱101,418,471	₱15,968,249	₱513,252	₱117,899,972

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL, AFS quoted securities - based on the nature of the counterparty and the Group's internal rating system;

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment;

The unquoted AFS financial assets are unrated.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 85:15 and 79:21 as of December 31, 2017 and 2016, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2017 and 2016, with all variables held constant, (through the impact on floating rate borrowings):

December 31, 2017

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Floating rate borrowings	**(₱254,397)**	**₱254,397**

December 31, 2016

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis Points
	(In Thousands)	
Floating rate borrowings	(₱333,229)	₱333,229

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

December 31, 2017

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱20,945,895	₱20,945,895	₱–	₱–	₱20,945,895
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	4,739,734	4,739,734	–	–	4,739,734
Accounts and notes receivable	Fixed at the date of sale	Date of sale	831,860	56,079	775,781		831,860
			₱ 26,517,489	₱ 25,741,708	₱ 775,781	₱–	₱ 26,517,489
Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱ 16,991,350	₱ 16,991,350	₱–	₱–	₱ 16,991,350
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	15,000,000	–	14,968,117	–	14,968,117
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	21,000,000	–	3,984,041	16,894,123	20,878,164
Peso	Fixed at 5.6250%	11 years	8,000,000	–	–	7,938,923	7,938,923
Peso	Fixed at 4.5000%	7 years	7,000,000	–	6,953,043	–	6,953,043
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	22,000,000	–	–	21,819,967	21,819,967
Peso	Fixed at 3.00%	3 years	2,990,950	–	2,969,108	–	2,969,108
Peso	Fixed at 5.2624%	10 years	7,000,000	–	–	6,966,801	6,966,801
Peso	Fixed at 2.7500%	1.75 years	4,000,000	–	3,980,934	–	3,980,934
Peso	Fixed at 3.2500%	1.25 years	3,100,000	–	3,082,433	–	3,082,433
Peso	Fixed at 4.5000% to 7.8750%	5, 10 and 15 years	9,064,000	93,000	3,541,000	5,408,576	9,042,576
Peso	Fixed at 4.50% to 4.949%	Up to 10.5 years	24,873,145	399,594	5,614,450	18,812,161	24,826,205
Floating							
USD	Variable	3.4 and 10.3 years	1,516,624	478,597	435,210	602,817	1,516,624
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable	Monthly	653,000	653,000	–	–	653,000
Long-term debt							
Fixed							
Peso	Fixed at 3.627% to 5.75%	5 to 10 years	25,574,500	4,039,747	20,130,165	1,358,954	25,528,866
Floating							
Peso	Variable at 0.75% over 91-day PDST-R2	3 months	6,278,729	1,559,722	1,333,513	3,376,410	6,269,645
			₱175,042,298	₱24,215,010	₱66,992,014	₱83,178,732	₱174,385,756

December 31, 2016

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱20,851,022	₱20,851,022	₱–	₱–	₱20,851,022
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	207,671	207,671	–	–	207,671
Accounts and notes receivable	Fixed at the date of sale	Date of sale	1,725,735	1,026,289	699,446	–	1,725,735
			₱22,784,428	₱ 22,084,982	₱ 699,446	₱–	₱22,784,428
Company							
Short-term debt							
Floating-Peso	Variable at 2.300% to 2.650%	Monthly	₱18,682,200	₱18,682,200	₱–	₱–	₱18,682,200
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	15,000,000	–	9,319,055	5,631,301	14,950,356
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	20,980,000	–	3,978,794	16,857,926	20,836,720
Peso	Fixed at 5.6250%	11 years	7,989,000	–	–	7,919,679	7,919,679
Peso	Fixed at 4.5000%	7 years	7,000,000	–	–	6,945,687	6,945,687
Peso	Fixed at 3.0000% to 4.8500%	3,7,9.5 and 10 years	25,000,000	–	2,967,243	21,799,361	24,766,604
Peso	Fixed at 4.500% to 7.875%	10 and 15 years	9,157,000	93,000	3,474,000	5,564,818	9,131,818
Peso	Fixed at 4.500%	7.5 years	2,232,664	64,344	219,375	1,948,945	2,232,664
Peso	Fixed at 4.725%	4.5 and 6.6 years	4,498,725	249,100	4,249,625	–	4,498,725
Peso	Fixed at 4.500%	10.5 years	8,200,000		328,000	7,872,000	8,200,000
Peso	Fixed at 4.500%	5.7 years	259,350	13,650	245,700		259,350
Floating							
USD	Variable at 1.509% to 2.773% over 3-month LIBOR	3.4 and 10.3 year	1,957,725	447,480	764,445	745,800	1,957,725
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable at 2.500% to 2.650%	Monthly	5,562,150	5,562,150	–	–	5,562,150
Long-term debt							
Fixed							
Peso	Fixed at 3.630% to 10.211%	5 to 7 years	26,799,917	3,635,338	22,179,474	922,032	26,736,844
Floating							
Peso	Variable at 1.536% to 4.750% over 91-day PDST-R1/R2	3 months	7,120,816	906,728	2,967,050	3,247,038	7,120,816
			₱160,439,547	₱29,653,990	₱50,692,761	₱79,454,587	₱159,801,338

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. As of December 31, 2017 and 2016, the Group's placements in foreign currencies amounting to $180.6 million and $30.2 million, respectively and the amount of foreign currency-denominated debt amounting to $33.0 million and $78.5 million, respectively are minimal. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2017 and December 31, 2016:

	December 31			
	2017		2016	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent
		(In Thousands)		
Financial Assets				
Cash and cash equivalents	**$102,275**	**₱5,106,601**	$14,608	₱726,318
Short-term investments	**62,991**	**3,145,158**	350	17,402
Accounts and notes receivable - net	**14,598**	**728,895**	14,394	715,676
Other current assets	**590**	**29,439**	441	21,931
Other noncurrent assets	**104**	**5,192**	424	21,101
Total	**180,558**	**9,015,285**	30,217	1,502,428
Financial Liabilities				
Accounts and other payables	**1,664**	**83,106**	31,047	1,543,642
Other current liabilities	**–**	**–**	8,031	399,284
Short-term debt	**–**	–	–	–
Long-term debt	**30,375**	**1,516,624**	39,375	1,957,725
Other noncurrent liabilities	**919**	**45,866**	–	–
Total	**32,958**	**1,645,596**	78,453	3,900,651
Net foreign currency denominated financial instruments	**$147,600**	**₱7,369,689**	($48,236)	(₱2,398,223)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱49.93 to US$1.00 and ₱49.72 to US$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2017 and 2016, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on profit before tax Increase (decrease)	
Change in exchange rate	**2017**	2016
₱1.00	**₱147,600**	(₱48,236)
(₱1.00)	**(147,600)**	48,236

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk
Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

	Effect on equity Increase (decrease)	
Change in PSEi index	**2017**	2016
	(In Thousands)	
+5%	**₱51,552**	₱65,618
-5%	**(51,552)**	(65,618)

Quoted financial assets at FVPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

As of December 31, 2017 and 2016, the Group's investment in the fund where all other variables held constant, the fair value, net income and equity will increase (decrease) by: (i) BPI UITF ₱0.3 million with a duration of 0.39 year and ₱1.1 million with duration of .10 year, respectively; (ii) BDO UITF nil and ₱1.3 million with a duration of 0.29 year respectively, for a 100 basis points decrease (increase), in interest rates.

31. Segment Information

The industry segments where the Group and its associates and joint ventures operate follows:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities, gas stations and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate businesses - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Residential developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Company's share in properties made available to subsidiaries for development
- Construction - land development and construction of the Group and third-party projects
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets

In 2017, assets, liabilities, revenues and expenses of the Strategic Landbank Management and Visayas-Mindanao segment were reallocated to other business segments namely, shopping centers, corporate businesses and residential developments according to the nature of the products and services provided. The 2016 and 2015 segment information have been restated for comparative purposes.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2017, 2016 and 2015, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the two years in the period ended December 31 (in millions):

2017

	Shopping Centers	Corporate Businesses	Residential Development	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱17,657	₱6,466	₱96,387	₱1,559	₱6,637	₱4,392	₱–	₱–	₱133,098
Interest income from real estate sales	–	–	5,410	–	–	–	–	–	5,410
Intersegments sales	–	198	–	65,841	–	–	–	(66,039)	–
Equity in net earnings of associates and joint ventures	(113)	–	529	–	–	–	450	–	866
Total revenue	17,544	6,664	102,326	67,400	6,637	4,392	450	(66,039)	139,374
Operating expenses	11,061	2,867	81,921	62,921	4,694	6,545	1,704	(75,321)	96,392
Operating profit	6,483	3,797	20,405	4,479	1,943	(2,153)	(1,254)	9,282	42,982
Interest and investment income									675
Interest and other financing charges									(7,914)
Other income									2,248
Provision for income tax									(9,825)
Net income									₱28,166
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱25,305
Non-controlling interests									2,861
									₱28,166
Other Information									
Segment assets	₱135,479	₱96,243	₱474,286	₱50,014	₱44,494	₱7,696	₱20,026	(₱291,695)	₱536,543
Investment in associates and joint ventures	7,897	–	9,964	51	–	–	8,889	–	26,801
	143,376	96,243	484,250	50,065	44,494	7,696	28,915	(291,695)	563,344
Deferred tax assets	367	154	2,465	31	267	23	2,260	5,081	10,648
Total assets	₱143,743	₱96,397	₱486,715	₱50,096	₱44,761	₱7,719	₱31,175	(₱286,614)	₱573,992
Segment liabilities	₱113,880	₱54,234	₱227,905	₱42,381	₱37,194	₱3,303	₱12,769	(₱113,481)	₱378,185
Deferred tax liabilities	244	26	1,612	–	40	13	14	1,595	3,544
Total liabilities	₱114,124	₱54,260	₱229,517	₱42,381	₱37,234	₱3,316	₱12,783	(₱111,886)	₱381,729
Segment additions to:									
Property and equipment	₱119	₱304	₱359	₱1,122	₱1,058	₱655	₱279	(₱1,570)	₱2,326
Investment properties	₱20,135	₱12,971	₱1,774	₱–	₱1,947	₱6	₱17,478	(₱25,943)	₱28,368
Depreciation and amortization	₱2,151	₱927	₱267	₱1,570	₱586	₱258	₱990	(₱1,569)	₱5,180
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱39	₱21	₱–	₱–	₱–	₱–	₱96	₱–	₱156

2016

	Shopping Centers	Corporate Businesses	Residential Development	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱16,079	₱5,803	₱77,728	₱10,701	₱6,052	₱1,337	₱–	₱–	₱117,700
Interest income from real estate sales	–	–	5,011	–	–	–	–	–	5,011
Intersegments sales	–	137	–	54,615	–	1,837	–	(56,589)	–
Equity in net earnings of associates and joint ventures	(293)	–	352	–	–	–	495	–	554
Total revenue	15,786	5,940	83,091	65,316	6,052	3,174	495	(56,589)	123,265
Operating expenses	8,923	2,113	62,226	59,969	4,884	2,044	1,394	(56,902)	84,651
Operating profit	6,863	3,827	20,865	5,347	1,168	1,130	(899)	313	38,614
Interest and investment income									703
Interest and other financing charges									(7,314)
Other income									660
Provision for income tax									(8,231)
Net income									₱24,432
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱20,908
Non-controlling interests									3,524
									₱24,432
Other Information									
Segment assets	₱124,331	₱81,819	₱435,290	₱48,988	₱37,740	₱7,641	₱20,661	(₱254,901)	₱501,569
Investment in associates and joint ventures	7,362	–	9,392	–	–	–	8,231	–	24,985
	131,693	81,819	444,682	48,988	37,740	7,641	28,892	(254,901)	526,554
Deferred tax assets	385	107	2,141	42	379	28	2,539	4,258	9,879
Total assets	₱132,078	₱81,926	₱446,823	₱49,030	₱38,119	₱7,669	₱31,431	(₱250,643)	₱536,433
Segment liabilities	₱110,465	₱38,483	₱216,231	₱42,249	₱28,395	₱4,072	₱22,120	(₱102,622)	₱359,393
Deferred tax liabilities	231	24	2,215	–	498	16	11	1,362	4,357
Total liabilities	₱110,696	₱38,507	₱218,446	₱42,249	₱28,893	₱4,088	₱22,131	(₱101,260)	₱363,750
Segment additions to:									
Property and equipment	₱665	₱152	₱65	₱1,992	₱612	₱1,908	₱45	₱–	₱5,439
Investment properties	₱15,072	₱10,391	₱199	₱-	₱2,394	₱36	₱1,297	₱–	₱29,389
Depreciation and amortization	₱1,787	₱574	₱173	₱1,606	₱521	₱249	₱965	₱–	₱5,875
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱81	₱13	₱–	₱–	₱–	₱–	₱305	₱–	₱399

2015

	Shopping Centers	Corporate Businesses	Residential Development	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱13,430	₱4,931	₱67,765	₱7,383	₱5,974	₱1,177	₱–	₱–	₱100,660
Interest income from real estate sales	–	–	5,173	–	–	–	–	–	5,173
Intersegments sales	621	–	4,672	36,685	–	705	–	(42,683)	–
Equity in net earnings of associates and joint ventures	(241)	–	239	–	–	–	(138)	–	(140)
Total revenue	13,810	4,931	77,849	44,068	5,974	1,882	(138)	(42,683)	105,693
Operating expenses	7,228	2,570	54,843	38,925	4,843	1,894	1,865	(39,242)	72,926
Operating profit	6,582	2,361	23,006	5,143	1,131	(12)	(2,003)	(3,441)	32,767
Interest and investment income									807
Interest and other financing charges									(6,506)
Other income									683
Provision for income tax									(6,854)
Net income									₱20,897
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱17,630
Non-controlling interests									3,267
									₱20,897
Other Information									
Segment assets	₱103,084	₱64,922	₱374,072	₱46,284	₱30,657	₱5,271	₱26,563	(₱233,943)	₱416,910
Investment in associates and joint ventures	845	–	9,249	–	–	–	7,427	–	17,521
	103,929	64,922	383,321	46,284	30,657	5,271	33,990	(233,943)	434,431
Deferred tax assets	265	88	1,964	32	281	23	2,187	3,071	7,911
Total assets	₱104,194	₱65,010	₱385,285	₱46,316	₱30,938	₱5,294	₱36,177	(₱230,872)	₱442,342
Segment liabilities	₱67,972	₱22,212	₱233,411	₱41,445	₱15,700	₱3,835	₱9,010	(₱102,851)	₱290,734
Deferred tax liabilities	18	19	1,687	–	472	15	–	(429)	1,782
Total liabilities	₱67,990	₱22,231	₱235,098	₱41,445	₱16,172	₱3,850	₱9,010	(₱103,280)	₱292,516
Segment additions to:									
Property and equipment	₱433	₱29	₱1,342	₱2,277	₱1,341	₱1,963	₱175	₱–	₱7,560
Investment properties	₱9,143	₱2,163	₱168	₱–	₱813	₱–	₱3,692	₱–	₱15,979
Depreciation and amortization	₱2,196	₱827	₱204	₱1,017	₱539	₱160	₱127	₱–	₱5,070
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱122	₱–	₱279	₱–	₱–	₱–	₱94	₱–	₱495

32. **Registration with Philippine Economic Zone Authority (PEZA)**

Ayala Land Inc., the Parent Company, was registered with PEZA last December 13, 2017 as a Developer/Operator of the Southpark Corporate Center.

North Eastern Commercial Corporation, a wholly owned subsidiary of the Company, was registered with PEZA last November 28, 2017 as a Developer/Operator of the 30^{th} Coporate Center.

Ayala Land Inc., the Parent Company, was registered with PEZA last November 6, 2017 as a Developer/Operator of the Vertis North IT Park.

Central Block Developers, Inc., a wholly owned subsidiary of the Company, was registered with PEZA last June 22, 2017 as a Developer/Operator of the Central Bloc 1 & 2.

Ayalaland Metro North, Inc., a wholly owned subsidiary of the Company, was registered with PEZA last December 29, 2016 as a Developer/Operator of the UP Town Corporate Center.

Pangulasian Island Resort Corporation (PIRC), a subsidiary of Ten Knots Development Corporation which is a subsidiary of Ayala Land, Inc., is registered with the Philippine Economic Zone Authority (PEZA) under the Certificate of Registration number 16-055 and Registration Agreement dated March 21, 2016. The registration shall entitle PIRC to conduct activities limited to resort operations, travel/tours/leisure and recreation-related activities, and the importation of raw materials, machinery, equipment, tools, goods, wares, articles, or merhandise directly used in its registered operations inside the Green Tourism Ecozone - Pangulasian.

PIRC shall be entitled to the following incentives as provided under PEZA Board Resolution No. 02-342 (Guidelines for the Registration and Administration of Incentives to Tourism Ecozone Developers Operators and Locators) and the 2014 Investments Priorities Plan: (a) Remaining Income Tax Holiday (ITH) of Ten Knots Development Corporation (TKDC) reckoned from October 2012 per PEZA Notice of Approval of Start of Commercial Operations (SCO) to TKDC dated November 12, 2012, and upon expiry of the ITH period, PIRC shall pay the 5% Gross Income Tax (5% GIT) on income solely derived from servicing foreign clients, in lieu of all national and local taxes; (b) Tax and duty-free importation of capital equipment required for the technical viability and operation of PIRC's registered activity.

Nuevo Centro, a wholly-owned subsidiary of Ayala Land, Inc., is registered with PEZA with Certificate of Registration number EZ 16-30 under Registration Agreement dated July 19, 2016. The registration as a Special Economic Zone Developer/Operator shall entitle Nuevo Centro, Inc. to establish, develop, administer, manage, and operate a Special Economic Zone to be known as Alviera Industrial Park. It has been designated a 311,954-square meter area located at Barangays Dolores and Banaba, Porac, Pampanga. The Company shall be exempt from payment of all national and local taxes, except real property taxes on land and shall pay a 5% final tax on gross income.

ALO Prime Realty Corporation, a wholly-owned subsidiary is registered with the PEZA with certificate of registration number 09-03-F under Registration Agreement dated May 29, 2009, as amended by Registration Agreement dated May 6, 2010, pursuant to the provision of Republic Act (R.A.) No. 7916, as amended, as an Ecozone Facilities Enterprise to construct a 12-storey office building (exclusive of 1 penthouse and 2 level basement parking) with a gross floor area of 24,214 square meters, more or less, which shall be established on a 3,621 square meter lot, located at Block 8, Lots 1 and 2, Asiatown IT Park, for lease to registered enterprises.

APRC, a wholly-owned subsidiary is registered with the PEZA with certificate of registration number 09-03-F under Registration Agreement dated May 29, 2009, as amended by Registration Agreement dated May 6, 2010, pursuant to the provision of Republic Act (R.A.) No. 7916, as amended, as an Ecozone Facilities Enterprise to construct a 12-storey office building (exclusive of 1 penthouse and 2 level basement parking) with a gross floor area of 24,214 square meters, more or less, which shall be established on a 3,621 square meter lot, located at Block 8, Lots 1 and 2, Asiatown IT Park, for lease to registered enterprises.

The company shall be exempted from the payment of all national and local taxes and in lieu thereof, the company shall pay a 5% final tax on gross income (GIT) earned from locator IT enterprise and related operations in accordance with the provision of Rule XX of the Rules and Regulations implementing R.A. 7916, as amended. The company shall pay the real property taxes on commercial spaces occupied by non-PEZA registered enterprises. Pursuant to BIR's Rules and Regulation No. 14-2002 (amending further pertinent provision of Revenue Regulations No. 2-98, as amended), income payments to PEZA-registered enterprises under the 5% GIT incentives are exempt from expanded withholding tax.

The company will be subjected to all evaluation and/or processing requirement and procedures prescribed under PEZA Rules and Regulations, and other pertinent circulars and directives. The company's entitlement to incentives shall continue as long as it remains in good standing, commit no violation of PEZA Rules and Regulations, other pertinent circulars and directives, and the terms and conditions of its registration agreement with PEZA.

Laguna Technopark, Inc. was registered with PEZA on October 27, 1999 as a non-pioneer "ecozone developer/operator". The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci Realty, Inc. also became registered with PEZA in 2007 as the "developer/operator" of the Lakeside Ecozone.

Glensworth Development, Inc., a wholly owned subsidiary of Ayala Land Offices, Inc., was registered with PEZA as an Economic Zone Information IT Facility Enterprise last December 14, 2007 to construct a 4-storey building at the Lakeside Ecozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Glensworth is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

Hillsford Property Corporation, a wholly owned subsidiary of the Company, was registered with PEZA last January 29, 2009 as an Ecozone Facilities Enterprise at the John Hay Special Tourism Economic Zone located in Baguio.

Sunnyfield E-Office Corporation, a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as a Developer/Operator of Iloilo Technohub.

Westview Commercial Ventures Corporation, a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

On December 18, 2007, PEZA approved the registration of AiO, the subsidiary, as an Economic Zone Information Technology (IT) Facility Enterprise. As a registered ecozone facilities enterprise, the subsidiary is entitled to establish, develop, construct, administer, manage and operate a 12-storey building and 17-storey building located at Asia Town IT Park, in accordance with the terms and conditions of the Registration Agreement with PEZA. The Group shall pay income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes. Gross income earned refers to gross sales or gross revenues derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. Income generated from sources outside of the PEZA economic zone shall be subject to regular internal revenue taxes. It is certified by the Bureau of Internal Revenue under Section 4.106-6 and 4 108-6 of Revenue Regulation No. 16-2005 that the enterprise is conducted for purposes of its VAT zero-rating transactions with its local suppliers of goods, properties and services.

Cebu Property Ventures Development Corporation was registered with PEZA on April 6, 2000 as an Information Technology (IT) Park developer or operator and was granted approval by PEZA on October 10, 2001. The PEZA registration entitled CPVDC to a four-year tax holiday from the start of approval of registered activities. At the expiration of its four-year tax holiday, CPVDC pays income tax at the special rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

33. Leases

Operating Leases - Group as Lessor
The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follows:

	2017	2016
	(In Thousands)	
Within one year	**₱887,835**	₱816,851
After one year but not more than five years	**3,457,212**	3,696,977
More than five years	**21,121,236**	18,120,723
	₱25,466,283	₱22,634,551

Operating Leases - Group as Lessee
The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follows:

	2017	2016
	(In Thousands)	
Within one year	**₱733,899**	₱816,851
After one year but not more than five years	**2,687,534**	3,696,977
More than five years	**18,594,127**	18,120,723
	₱22,015,560	₱22,634,551

Parent Company
On September 2, 2014, Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. Arvo signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Company.

On January 1, 2015, the Parent Company and ACCI entered into a lease contract for the lease of parcels of land and buildings within the Greenbelt and Glorietta development located at the Ayala Center, Makati City. The lease shall be for a period of two years from January 1, 2015 until December 31, 2016, renewable for another two years upon the written agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month.

On April 26, 2012 Parent Company signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of

Negros Occidental. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Company.

Arvo
The Company entered into a lease agreement with Avida to lease a land in Dasmarinas, Cavite with an area of approximately 18,700 square meters (sqm) for the construction, development and operation thereon of a mixed-use commercial development for a period of 50 years. The lease agreement provides for a rental fee equivalent to 8% of gross rental income which will be paid on a monthly basis.

On December 4, 2013, the Company entered an agreement with Liberty Commercial Center, Inc. (LCC) to construct a five-storey commercial mall building with an aggregate gross floor area of approximately 30,400 square meters on a 10,000 square meter portion of the land, and the Company to act as coordinator for the construction and development of the building. The Company assisted LCC in obtaining a loan from a local bank in the aggregate amount of approximately ₱1,325.00 million to fully fund the cost of the design and construction of the building. Upon completion of the construction of the building, the Company shall lease the building from LCC under a building lease agreement.

On October 15, 2014, the Company entered into a property lease agreement with Rotonda Development Corporation for the construction, development and operation of a commercial and mall center. The terms of the lease shall be 42 years, with an option to renew for another 40 years subject to mutual agreement of the parties. The lease agreement provided rent-free period of 2 years and lease payments shall commence thereafter. Lease payments shall be paid annually at ₱60.00 per sqm, subject to an annual escalation of 4%.

On March 5, 2015, the Company entered into a building lease agreement with L.C. Lopez Resources, Inc. that has a lease term of 40 years with an option for renewal for another 10 years upon mutual agreement of the parties. The Company shall have the right but not the obligation to retrofit the leased premises as may be deemed necessary. The Company shall pay monthly rent equivalent of ₱170.00 per sqm with annual escalation of 5%.

AMNI
On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Parent Company the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Parent Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants.

A retail establishment with about 63,000 sqm of gross leasable area and an office/BPO building about 8,000 sqm of gross leasable area shall be constructed on the property. For the year ended December 31, 2012, lease payments have been capitalized as construction was still in progress. For the year ended December 31, 2013, Phase 1a (with gross leasable area of 5,000 sqm.) of the retail establishment has commenced operations on September 30, 2013.

On December 18, 2013, The Parent Company has donated the New UPIS facilities at a total cost of ₱224.7 million and the rehabilitated and upgraded UPIS "K-2" and "3-6" Buildings at a cost of ₱40.0 million to the University of the Philippines.

SBTCI
On October 16, 2009, the Company has executed a lease agreement with the Subic Bay Metropolitan Authority (SBMA), for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City. The lease commitment is expected to be completed in 2060 after the 50-year lease term. The lease may be renewed for another 25 years upon mutual agreement of the parties. The Company offered to develop a mall with an estimated gross leasable area of 38,000 sqm. On March 25, 2010, the

Company entered into an assignment of lease agreement whereby the Company assigned its rights and obligations granted to or imposed under the lease agreement to its subsidiary, SBTCI. The lease payments to SBMA started from the commencement of the commercial operation of the mall last April 26, 2012 which was completed during the same period.

SSECC
The Company has an existing contract with Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 sqm on a 9.8-hectare lot inside Fort Bonifacio. The lease commitment is expected to be completed in 2015. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. As part of the bid requirement, the Company procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

POPI
On August 28, 1990, the Company, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. in a contract of lease of the land owned by PNR for the Tutuban Terminal. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of 25 years until 2014 and is automatically renewable for another 25 years, subject to compliance with the terms and conditions of the lease agreement. On December 22, 2009, the Company entered into an agreement with PNR for the renewal of its lease contract for another 25 years beginning September 5, 2014. Rent expense charged to operations amounted to ₱149.56 million for the year ended December 31, 2017.

As at December 31, 2017, the aggregate annual commitments on these existing lease agreements for the succeeding years are as follows (in thousands):

	2017	2016
Less than one (1) year	₱140,529	₱153,936
More than one (1) year but not more than five (5) years	702,547	769,678
More than five (5) years	2,201,626	2,527,109
	₱3,044,702	₱3,450,723

34. **Interest in Joint Operation**

MDC has a 51.0% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a joint operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig. The application of PFRS 11 does not have significant impact on the Group's accounting of its interest in joint operation since it already reported its share in interest in joint operation using proportionate consolidation.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 sqm, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009. Activities in 2015 mainly pertain to winding down operations.

The share of MDC in the net assets and liabilities of the Joint Venture at December 31, 2017 and 2016 which are included in the consolidated financial statements follow:

	2017	2016
	(In Thousands)	
Current assets:		
Cash and cash equivalents	**₱7,701**	₱19,955
Other current assets	**37,365**	37,747
Total assets	**₱45,066**	₱57,702
Total liabilities	**₱6,859**	₱9,854

The following is the share of the MDC on the net income of the Joint Venture:

	2017	2016
	(In Thousands)	
Construction costs	**(₱384)**	(₱845)
Interest and other income	**120**	879
Income (loss) before income tax	**(264)**	34
Provision for income tax	**(21)**	(56)
Net loss	**(₱285)**	(₱22)

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱20.0 millions and nil on March 4, 2017 and 2016, respectively. Based on 51% share, MDC received ₱10.7 million cash dividends in 2017.

Provision for income tax pertains to the final tax on interest income

35. **Long-term Commitments and Contingencies**

Commitments

On December 8, 2017, ALI assigned to NTDCC development rights on certain portions of the North Triangle lot pads covered by a Deed of Assignment and Encroachment Settlement Agreement amounting to P631.2 million

On January 12, 2016, the Company has entered into a partnership with Manila Water Philippine Ventures, Inc, a wholly owned subsidiary of Manila Water Company, Inc. for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Total expenses amounted to ₱0.2 million.

ALI and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City. A new company named, ALI-ETON Property Development Corporation, was incorporated on March 13, 2016.

On August 11, 2015, the Company won the bid for the Integrated Transport System Project – South Terminal ("ITS South Project"). The Company was awarded by the Department of Transportation and Communications ("DOTC") with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Company is developing an integrated mixed-use estate. It is estimated that up to 4,000 buses and 160,000 passengers will feed into ITS South from SLEX every day. Full blast construction of the terminal to start by 2H 2018 and targeted to be operational by 1H 2020.

On June 30, 2015, the Company, through SM-ALI Group Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Company and CHI (together with the Company collectively referred to as the "ALI Group"). The SM-ALI Group has finished with the joint masterplan and is now securing permits to commence development. Consistent with the agreed payment schedule in the Deed of Absolute Sale, as of August 1, 2017 the ALI Group has paid ₱3.8 billion, excluding taxes.

On August 8, 1997, an "Assignment Agreement" was executed between Department of Transportation and Communications (DOTC), Metro Rail and MRTDC whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

On February 21, 2002, MRTDC and NTDCC entered into an assignment agreement wherein the development rights of MRTDC over an 8.3 hectare portion of the MRT Depot (inclusive of project development costs incurred in relation thereto) was assigned to NTDCC in exchange for 32,600,000 shares of stock to be issued out of the increase in the authorized capital stock of NTDCC, each share with a par value of ₱10, or an aggregate par value of ₱326.00 million. The amount of development rights in excess of the aggregate par value of the shares subscribed was credited to additional paid-in capital.

On January 13, 2006, the deed of assignment between MRTDC and NTDCC was acknowledged by DOTC making MRTDC and NTDCC jointly and severally liable for the DRP and all other obligations attached thereto. NTDCC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration. As of December 31, 2017 and 2016, the DRP obligation amounted to ₱958.8 million and ₱880.0 million, respectively (see Notes 16 and 19).Total DRP obligation paid amounted to ₱223.1 million and ₱216.9 million in 2017 and 2016, respectively. Total rent expense recognized in the statements of comprehensive income under the "Real estate costs and expenses" account included in direct operating expenses amounted to ₱344.83 million and ₱338.3 million in 2017 and 2016, respectively.

On March 21, 2007, DOTC, National Housing Authority (NHA), MRTDC, and NTDCC entered into a Memorandum of Agreement (MOA) whereby DOTC assigns, transfers and conveys to NHA, its successors or assigns, the right to demand and collect the Depot DRP Payable and Depot DRP. In the MOA, DOTC authorizes MRTDC/ NTDCC to remit the Depot DRP Payable and the Depot DRP to NHA directly which shall be credited by DOTC in favour of MRTDC/ NTDCC as payment for the DRP.

On December 17, 2014, Arvo Commercial Corporation signed a Deed of Absolute Sale with the Philippine National Bank for a parcel of land with an area of 6,003 sqm. located at No. 460 Quirino Highway, Brgy. Talipapa, Novaliches, Quezon City.

On December 17, 2014, NTDCC, MRTDC and MRTDC shareholders executed a "Funding and Repayment Agreement" wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

On June 4, 2014, AHRC, a wholly owned subsidiary of the Company has signed a long-term management agreement with the Mandarin Oriental Hotel Group to develop and operate luxury hotel in Makati City. Set to open its doors by 2020, the new Mandarin Oriental Manila will be featuring 275 spacious rooms complemented by an extensive range of modern amenities including premium selection of restaurants and a signature spa. The Group is committed to pay $5 million (₱223.6 million) to Manila Mandarin Hotel, Inc. upon the opening of the New Hotel or June 30, 2017, whichever is earlier. In 2017, the Group fully paid the said amount.

On May 12, 2014, ALI has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. The Company will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sqm.

On April 6, 2010, the Company and MWCI entered into a Memorandum of Agreement (MOA) to establish a water utility services company which will manage and operate all water systems in NUVALI, as well as, adjacent projects of the Company in Laguna.

During the past 3 years, the required activities according to the MOA between MWCI and the Company were accomplished- like auditing and re-design of the existing water/sewerage assets of several NUVALI and the Company projects in Laguna, water system design reviews and repairs, and developing plans and proposals for the expansion of the area coverage of the water and sewerage system. MWCI is currently designing the cost plan and the target completion of the project has not yet been established. However, it is expected that the water and sewer system development shall happen simultaneous with NUVALI's expansion plan. The project will be undertaken in phases and in relation to expected NUVALI build out. The project shall start this year upon the signing of the JVA. MWCI is currently re-estimating the project cost because of NUVALI expansion. Finally, on December 23, 2013 LTI signed an agreement with LAWC, to sell the water reticulation system of LTI. LAWC took over officially as the exclusive water service provider on December 31, 2013.

In 2009, MWCI and the Provincial Government of Laguna formed a joint venture company, LAWC. LAWC is a water services company that has concession in the cities of Sta. Rosa, Binan and Cabuyao.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. The outcomes of the legal proceedings for various cases are not presently determinable. Accordingly, no provision for any liability has been made in the consolidated financial statements.

In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. Disclosures required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, were not provided as it may prejudice the Company's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

36. Concession Agreement with Department of Transportation (DOTr)

On January 26, 2016, the Group through ASITI entered into a Concession Agreement (CA) with the Department of Transportation (DOTr). The CA sets forth the rights and obligations of ASITI as concessionaire, including the construction and operation of the South Integrated Transport System Project (the Project) of DOTr. During the concession period, DOTr will monitor and review the performance of the concessionaire.

The concession will run for a period of 35 years from the start of the construction of the Project. Under the terms of the concession agreement, ASITI will design, engineer, construct, operate and maintain a mass transportation intermodal terminal at the outskirts of Metro Manila. The operation of the Project includes the collection and remittance of terminal fees to DOTr of the concessionaire during the concession period. In addition, ASITI will be permitted to develop and operate commercial leasing facilities.

Upon the start of the construction the Project, DOTr will give to ASITI the full, exclusive and uninterrupted use and possession of a 5.57 hectare property known as the Project Land. Ownership of the Project Land shall remain with DOTr at all times while the possession, custody and risk of loss or deterioration of the Project and commercial assets shall vest in the concessionaire during the concession period. ASITI shall transfer the Project and the related assets, free from any liens or encumbrances, to DOTr at the end of the concession period. ASITI will be entitled to annual payments from DOTr amounting to ₱277.9 million during the 35-year concession period, subject to meeting benchmarks set for certain key performance indicators enumerated in the CA.

As of December 31, 2017, construction of the Project has not yet commenced.

37. Note to Consolidated Statements of Cash Flows

The noncash activities of the Group pertain the following:

2017

- transfer from land and improvements to inventories amounting to ₱10,908.5 million
- transfer from inventories to investment properties amounting to ₱2,454.9 million
- transfer from land and improvements to investment properties amounting to ₱1,905.0 million
- transfer from investment properties to land and improvements amounting to ₱646.2 million
- transfer from investment properties to property and equipment amounting to ₱1,764.6 million
- transfer from investment properties to other current and noncurrent assets amounting to ₱86.3 million and ₱62.1 million, respectively
- transfer from advances to contractors to land and improvements amounting to ₱1,581.2 million

2016

- transfer from land and improvements to inventories amounting to ₱4,795.5 million
- transfer from land and improvements to investment properties amounting to ₱426.1 million
- transfer from land and improvements to other assets amounting to ₱174.3 million
- transfers from inventories to investment properties amounting to ₱1,065.3 million
- transfer from investment properties to property and equipment amounting to ₱16.7 million

2015

- tansfer from land and improvements to inventories amounting to ₱7,839.8 million
- transfer from land and improvements to property and equipment amounting to ₱1.7 million
- transfer from land and improvements to other assets amounting to ₱56.85 million
- transfers from inventories to investment properties amounting to ₱52.0 million
- transfer from investment properties to property and equipment amounting to ₱62.2 million
- transfer from property and equipment to investment property amounting to ₱90.9 million in 2015
- land and improvement which amounted to ₱108.7 million was donated in 2015.

38. Events After Reporting Date

SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation have concluded the transaction to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX), further to a Memorandum of Agreement (MOA) entered into by the parties last October 30, 2017.

PFM is the official Area Franchisee of the Family Mart brand of convenience stores in the Philippines, with a current network of 67 company-owned and franchised stores all over the country. PNX is the leading independent and fastest-growing oil company in the Philippines, with a wide network of retail stations and commercial and industrial clients all over the Philippines. Prior to this transaction, SIAL CVS Retailers, Inc., a 50-50 joint venture company between ALI Capital Corp. (a 100% subsidiary of Ayala Land, Inc.) and SSI Group, Inc. (SSI), owned 60% of PFM, while Japanese companies, FamilyMart Co., Ltd. and ITOCHU Corporation, owned 37.6% and 2.4% respectively.

The transaction was approved by the Philippine Competition Commission (PCC) last January 3, 2018.

On January 2, 2018, the Group through RWIL signed a share purchase agreement to acquire an additional 17.24% share in MCT Bhd (MCT) from Barry Goh Ming Choon for a total cost of RM202.5m, subject to completion of certain conditions, which were eventually complied with on January 5, 2018. This brought ALI's shareholding in MCT to 50.19% from 32.95%.

This transaction obliged RWIL to conduct a mandatory take-over offer (MO) from the period January 26 to February 19, 2018, in accordance with the laws of Malaysia. Acceptances for 295,277,782 shares were received from the MO, equivalent to 22.12% of the total outstanding shares of MCT.

This eventually increased ALI's ownership stake in MCT from 50.19% to 72.31% as of February 19, 2018. This increase in ownership will strengthen ALI's commitment to enhance MCT's operations and expand its business further. This will also provide ALI with a greater opportunity to take advantage of the growth potential and long-term prospects of the real estate sector in Malaysia and will affirm ALI's role as a key player in the ASEAN Property Sector. Disclosures on the acquisition date fair value and carrying value of the assets acquired and liabilities assumed of MCT and any goodwill or gain from bargain purchase are not yet available as of the report date.

On January 26, 2018, ALI purchased additional 202,774,547 common shares of POPI from Genez Investments Corporation for ₱497.7 million which raised ALI's effective ownership interest from 63% to 67% of the total POPI's outstanding capital stock.

On February 20, 2018, the BOD approved the declaration of cash dividends amounting to ₱0.252 per outstanding common share. These will be paid on April 3, 2018 to shareholders on record as of March 12, 2018.

Further, on the same date, the BOD declared an annual cash dividends of 4.74786% p.a. per share to all shareholders of the Company's unlisted voting preferred shares. These will be paid out on June 29, 2018 to shareholders on record as of June 15, 2018.

On February 20, 2018, the BOD approved the raising of up to ₱20 billion through (a) retail bonds listed in the Philippine Dealing and Exchange Corporation and (b) bilateral term loan/s to partially finance general corporate requirements. The retail bonds will be issued under the Corporation's ₱50 billion Debt Securities Program as approved by the Securities and Exchange Commission in March 2016.

On February 20, 2018, the BOD approved the raising of up to ₱5 billion through the issuance of Qualified Buyer Notes with a tenor of up to 5 years to refinance the Corporation's short-term loans.

On February 20, 2018, the PCC approved the setting up of a joint venture between the Company and Royal Asia Land, Inc. to acquire, own, and develop a 936-hectare commercial and residential project in Silang and Carmona, Cavite. Both firms will own 50% equity in the joint venture vehicle while Royal Asia Land will receive a consultation fee of 2% of the joint venture firm's gross revenue for its participation in the planning and development of the property. ALI, meanwhile, will develop and market the project and receive a management fee of 12% and sales and marketing fee of 5% of the gross revenue. The PCC has deemed that the transaction does not result in a substantial lessening of competition because it will not have a structural effect on the market.

Ayala Land, Inc.

Parent Company Financial Statements
December 31, 2017 and 2016

and

Independent Auditor's Report

SGV
Building a better
working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Ayala Land, Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Ayala Land, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 33 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Ayala Land Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Lucy L. Chan.

SYCIP GORRES VELAYO & CO.

Lucy L. Chan

Lucy L. Chan
Partner
CPA Certificate No. 88118
SEC Accreditation No. 0114-AR-4 (Group A),
January 7, 2016, valid until January 6, 2019
Tax Identification No. 152-884-511
BIR Accreditation No. 08-001998-46-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 6621239, January 9, 2018, Makati City

February 20, 2018

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 27)	**₱587,557,457**	₱1,282,645,192
Financial assets at fair value through profit or loss (Notes 5, 23 and 27)	**1,918,566**	1,891,431
Accounts and notes receivable (Notes 6, 23 and 27)	**74,428,225,830**	64,936,768,482
Inventories (Note 7)	**15,403,549,300**	19,155,257,465
Other current assets (Note 8)	**7,207,577,252**	7,553,462,215
Total Current Assets	**97,628,828,405**	92,930,024,785
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 6 and 27)	**18,364,364,916**	9,652,513,447
Available-for-sale financial assets (Notes 9 and 27)	**217,714,920**	200,390,971
Land and improvements (Note 10)	**50,582,893,215**	54,662,516,270
Investments in subsidiaries, associates and joint ventures (Note 11)	**119,844,019,436**	106,451,423,671
Investment properties (Note 12)	**41,377,076,277**	46,130,243,904
Property and equipment (Note 13)	**828,989,167**	768,406,040
Deferred tax assets - net (Note 21)	**2,178,995,143**	2,517,053,009
Other noncurrent assets (Note 14)	**2,105,959,953**	3,125,852,969
Total Noncurrent Assets	**235,500,013,027**	223,508,400,281
	₱333,128,841,432	₱316,438,425,066
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 15, 23 and 27)	**₱63,670,987,178**	₱73,738,576,893
Short-term debt (Notes 16, 23 and 27)	**16,991,350,000**	18,682,200,000
Current portion of long-term debt (Notes 16, 23 and 27)	**971,190,276**	865,531,750
Total Current Liabilities	**81,633,527,454**	93,286,308,643
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16, 23 and 27)	**124,271,705,905**	100,869,971,522
Pension liabilities - net (Note 24)	**1,212,493,603**	1,150,805,803
Deposits and other noncurrent liabilities (Notes 17 and 27)	**7,727,724,424**	11,733,022,743
Total Noncurrent Liabilities	**133,211,923,932**	113,753,800,068
Total Liabilities	**214,845,451,386**	207,040,108,711
Equity (Note 18)		
Paid-in capital	**61,948,711,384**	61,562,170,354
Stock options outstanding (Note 26)	**99,063,674**	89,696,962
Retained earnings	**56,563,943,910**	48,078,570,822
Net unrealized gain on available-for-sale financial assets (Note 9)	**39,487,351**	26,425,650
Remeasurement loss on defined benefit plans (Note 24)	**(367,816,273)**	(358,547,433)
Total Equity	**118,283,390,046**	109,398,316,355
	₱333,128,841,432	₱316,438,425,066

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2017	2016
REVENUE		
Real estate (Note 19)	**₱37,202,154,673**	₱28,324,838,681
Dividend income	**10,495,133,950**	11,891,532,930
Interest income from real estate sales (Note 6)	**1,595,607,661**	1,295,120,871
	49,292,896,284	41,511,492,482
COSTS AND EXPENSES (Note 20)		
Real estate	**25,580,926,543**	17,911,976,290
General and administrative expenses	**2,462,133,741**	2,449,709,436
Other expenses	**273,084**	99,748,596
	28,043,333,368	20,461,434,322
	21,249,562,916	21,050,058,160
OTHER INCOME (CHARGES)		
Interest income (Notes 4 and 23)	**494,497,136**	388,051,401
Other income (Note 20)	**2,436,534,959**	99,087,122
Interest expense and other financing charges (Note 20)	**(6,448,102,197)**	(5,758,361,363)
Other charges (Note 20)	**(4,782,138)**	(204,291,689)
	(3,521,852,240)	(5,475,514,529)
INCOME BEFORE INCOME TAX	**17,727,710,676**	15,574,543,631
PROVISION FOR INCOME TAX (Note 21)	**2,115,268,426**	1,053,602,130
NET INCOME	**₱15,612,442,250**	₱14,520,941,501
Earnings Per Share (Note 25)		
Basic and diluted	**₱1.06**	₱0.99

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
Net Income	**₱15,612,442,250**	₱14,520,941,501
Other comprehensive income (loss)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:		
Net unrealized gain on available-for-sale financial assets (Note 9)	**13,061,701**	10,050,000
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain (loss) on defined benefit plans (Note 24)	**(13,241,200)**	108,398,009
Tax effect relating to components of other comprehensive income (loss)	**3,972,360**	(32,519,403)
Total other comprehensive gain - net of tax	**3,792,861**	85,928,606
Total comprehensive income	**₱15,616,235,111**	₱14,606,870,107

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Subscriptions Receivable (Note 18)	Appropriated Retained Earnings (Note 18)	Unappropriated Retained Earnings (Note 18)	Stock Options Outstanding (Note 26)	Net Unrealized Gain on Available for Sale Financial Assets (Note 9)	Remeasurement Loss on Defined Benefit Plans (Note 24)	Total
As of January 1, 2017	**₱16,019,332,064**	**₱46,928,519,282**	**(₱1,385,680,992)**	**₱8,000,000,000**	**₱40,078,570,822**	**₱89,696,962**	**₱26,425,650**	**(₱358,547,433)**	**₱109,398,316,355**
Net income	–	–	–	–	15,612,442,250	–	–	–	15,612,442,250
Other comprehensive loss	–	–	–	–	–	–	13,061,701	(9,268,840)	3,792,861
Total comprehensive income	–	–	–	–	15,612,442,250	–	13,061,701	(9,268,840)	15,616,235,111
Stock options exercised	12,264,970	381,242,291	(393,507,261)	–	–	–	–	–	–
Cost of stock options	–	144,477,825	–	–	–	9,366,712	–	–	153,844,537
Collections of subscription receivable	–	–	242,063,205	–	–	–	–	–	242,063,205
Cash dividends declared	–	–	–	–	(7,127,069,162)	–	–	–	(7,127,069,162)
As of December 31, 2017	**₱16,031,597,034**	**₱47,454,239,398**	**(₱1,537,125,048)**	**₱8,000,000,000**	**₱48,563,943,910**	**₱99,063,674**	**₱39,487,351**	**(₱367,816,273)**	**₱118,283,390,046**
As of January 1, 2016	₱16,002,280,843	₱46,217,694,558	(₱1,147,527,623)	₱6,000,000,000	₱34,618,845,930	₱190,746,787	₱16,375,650	(₱434,426,039)	₱101,463,990,106
Net income	–	–	–	–	14,520,941,501	–	–	–	14,520,941,501
Other comprehensive loss	–	–	–	–	–	–	10,050,000	75,878,606	85,928,606
Total comprehensive income	–	–	–	–	14,520,941,501	–	10,050,000	75,878,606	14,606,870,107
Stock options exercised	17,051,221	512,379,380	(418,491,593)	–	–	(110,939,008)	–	–	–
Cost of stock options	–	198,445,344	–	–	–	9,889,183	–	–	208,334,527
Collections of subscription receivable	–	–	180,338,224	–	–	–	–	–	180,338,224
Cash dividends declared	–	–	–	–	(7,061,216,609)	–	–	–	(7,061,216,609)
Appropriation	–	–	–	2,000,000,000	(2,000,000,000)	–	–	–	–
As of December 31, 2016	₱16,019,332,064	₱46,928,519,282	(₱1,385,680,992)	₱8,000,000,000	₱40,078,570,822	₱89,696,962	₱26,425,650	(₱358,547,433)	₱109,398,316,355

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱17,727,710,676**	₱15,574,543,631
Adjustments for:		
Interest expense (Note 20)	**6,084,956,331**	5,258,272,680
Depreciation (Notes 12, 13 and 20)	**990,581,981**	945,275,795
Provision for impairment losses and write-offs (Note 20)	**526,630,121**	–
Cost of share-based payments (Note 24)	**153,844,537**	208,334,527
Unrealized foreign exchange loss (Note 20)	**24,131,249**	121,800,000
Gain on financial assets at fair value through profit or loss (Note 20)	**(27,135)**	(48,843)
Gain on sale of land and improvements (Note 20)	**(7,259,818)**	–
Gain on sale of property and equipment (Note 20)	**(34,784,163)**	(21,742,881)
Gain on sale of investment in subsidiaries, associates and joint ventures (Note 20)	**(75,094,450)**	–
Gain on sale of investment property (Note 20)	**(381,694,727)**	–
Interest income	**(2,090,104,797)**	(1,683,172,272)
Dividend income	**(10,495,133,950)**	(11,891,532,930)
Operating income before changes in working capital	**12,423,755,855**	8,511,729,707
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Other current assets	**8,149,652**	(1,124,307,309)
Inventories (Notes 7 and 29)	**7,168,095,649**	772,420,817
Accounts and notes receivable - current (Note 6)	**1,609,215,850**	(3,681,617,829)
Accounts and notes receivable - noncurrent (Note 6)	**(8,711,851,469)**	(7,408,525,531)
Increase (decrease) in:		
Accounts and other payables (Note 15)	**(7,340,881,761)**	12,156,157,692
Pension liabilities (Note 24)	**35,603,294**	88,068,611
Cash generated from (used in) operations	**5,192,087,070**	9,313,926,158
Dividends received	**10,374,705,370**	10,011,989,246
Interest received	**1,989,993,744**	1,684,076,922
Income tax paid	**(1,336,347,974)**	(1,809,256,261)
Interest paid	**(8,811,664,285)**	(5,338,330,622)
Net cash provided by (used in) operating activities	**7,408,773,925**	13,862,405,443
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal/maturity/redemption of:		
Investments in subsidiaries, associates and joint ventures (Note 11)	**1,019,183,013**	1,045,867,826
Investment properties (Note 12)	**14,896,690,407**	–
Property and equipment (Note 13)	**46,446,913**	24,464,583
AFS financial assets (Note 9)	–	2,800,000
Land and Improvements (Note 10)	**355,657,114**	–

(Forward)

	Years Ended December 31	
	2017	2016
Decrease (Increase) in:		
Other noncurrent assets	**₱1,028,837,979**	(₱1,510,425,209)
Purchases/additions to:		
Property and equipment (Note 13)	**(278,816,310)**	(305,125,871)
Investment properties (Note 12)	**(17,477,637,185)**	(20,235,629,299)
Land and improvements (Notes 10)	**(4,291,810,644)**	(2,791,118,076)
Available-for-sale financial assets	**(4,262,248)**	–
Investments in subsidiaries, associates and joint ventures (Note 11)	**(14,300,258,082)**	(16,594,445,474)
Net cash used in investing activities	**(19,005,969,043)**	(40,363,611,520)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debts (Note 16)	**84,581,462,909**	35,274,912,309
Proceeds from capital stock subscriptions	**242,063,205**	180,338,224
Increase (decrease) in deposits and other noncurrent liabilities (Note 17)	**(4,005,298,319)**	2,448,036,921
Payments of cash dividends (Note 18)	**(7,127,069,162)**	(7,061,216,609)
Payments of short-term and long-term debts (Note 16)	**(62,789,051,250)**	(10,043,035,938)
Net cash provided by financing activities	**10,902,107,383**	20,799,034,907
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(695,087,735)**	(5,702,171,170)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,282,645,192**	6,984,816,362
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱587,557,457**	₱1,282,645,192

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the “Parent Company”, the “Company”, or “ALI”) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines with a corporate life of 50 years. The Parent Company is a subsidiary of Ayala Corporation (AC). AC is a publicly-listed company, 47.74%-owned by Mermac, Inc., 10.15%-owned by Mitsubishi Corporation, and the rest by the public. The Parent Company’s registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company is incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Parent Company or of other persons; and to engage or act as real estate broker.

The accompanying parent company financial statements were endorsed for approval by the Audit Committee on February 14, 2018 and were approved and authorized for issue by the Board of Directors (BOD) on February 20, 2018.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and quoted available-for-sale (AFS) financial assets that have been measured at fair value. The Parent Company’s presentation and functional currency is the Philippine Peso (₱). All amounts are rounded off to the nearest peso unless otherwise indicated.

<u>Statement of Compliance</u>
The parent company financial statements of Ayala Land, Inc., which are prepared for submission to the Philippine Securities and Exchange Commission (SEC) and to the Bureau of Internal Revenue (BIR), are presented in compliance with Philippine Financial Reporting Standards (PFRSs). The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRSs which can be obtained from the Parent Company’s registered address.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which became effective January 1, 2017.

The nature and impact of each new standard and amendment are described below:

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendments do not have any impact on the Parent Company’s financial position and results of operation.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Parent Company has provided the required information in Note 22 to the parent company financial statements. As allowed under the transition provisions of the standard, the Parent Company did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Parent Company applied the amendments retrospectively. However, their application has no effect on the Parent Company's financial position and performance as the Parent Company has no deductible temporary differences or assets that are in the scope of the amendments.

Standards and interpretations issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Parent Company is assessing the potential effect of the amendments on its financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Parent Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

  The Parent Company is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effectivity date.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The adoption will also have an effect on the amount of the Parent Company's credit losses. The Parent Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method,elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The Parent Company does not expect the amendments to have material impact on its financial statements.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual

reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Parent Company does not expect the amendments to have material impact on its financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Parent Company does not expect the amendments to have material impact on its financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Parent Company is currently assessing the impact of adopting this interpretation.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Parent Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Parent Company is currently assessing the impact of adopting this interpretation.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Parent Company is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Change of presentation
In 2017, the Parent Company changed the presentation of its parent company statement of income from the single step to the multiple step presentation. This presentation better reflects and distinguishes other income from revenue and other charges from the operating expenses of the Parent Company. Prior year parent company statement of income has been re-presented for comparative purposes. The change in presentation has no impact on the net income, equity, cash flows and earnings per share of the Parent Company in 2016.

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Parent Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, corporate finance analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Parent Company's accounting policies.

The Parent Company, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

<u>Financial Instruments</u>
Date of recognition
The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Parent Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Parent Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the parent company statement of income under "Other income" or "Other charges".

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria is met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2017 and 2016, the Parent Company holds its investment in Unit Investment Trust Fund (UITF) as held for trading and classified these as financial assets at FVPL. Management takes the view that these are held for trading and such portfolios are managed by professional managers.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Net unrealized gain on available-for-sale financial assets" in the equity section of the parent company statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the parent company statement of income under "Other income" account or "Other charges" account. Where the Parent Company holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the parent company statement of income under the "Other charges" account.

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the parent company statement of financial position captions “Cash and cash equivalents” and “Accounts and notes receivable” (except for “Advances to contractors and suppliers”, “Advances to other companies” and “Deposits for land purchases”).

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the “Interest income” in the parent company statement of income. The losses arising from impairment of such loans and receivables are recognized in the parent company statement of income under the “Other charges”
account.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date, otherwise these are classified as noncurrent assets.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies primarily to the Parent Company’s “Accounts and other payables” (other than “Taxes payable” which is covered by other accounting standard), “Short-term and long-term debts,” and other obligations that meet the above definition.

Deposits and Retentions Payable
Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using the effective interest method.

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the “Real estate revenue” account in the parent company statement of income.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;
b. the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
c. the Parent Company has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets

The Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS financial assets

For AFS financial assets, the Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more and 'prolonged' as greater than six (6) months for quoted equity securities. The Parent Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 10). Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the parent company statement of income in the “Other charges” account. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in equity through the parent company statement of comprehensive income.

In the case of debt instruments classified as AFS financial asset, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded under “Interest income” account in the parent company statement of income. If, in a subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Loans and receivables
For loans and receivables carried at amortized cost, the Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against the parent company statement of income under “Other charges” account.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of certain credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any differences between loss estimates and actual loss experience.

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost or net realizable value (NRV).

Cost includes:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

The cost of inventory recognized in the parent company statement of income on disposal is determined with reference to the specific costs incurred on the property, and estimated costs to be incurred, allocated to saleable area based on relative size.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, rentals and insurance.

Input Value-Added Tax (VAT)
Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Advances to Other Companies, Advances to Contractors and Suppliers and Deposits on Land Purchases
Advances to other companies, advances to contractors and suppliers and deposits on land purchases are carried at cost less impairment losses, if any.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Investments in Subsidiaries, Associates and Joint Ventures
The Parent Company's investments in its subsidiaries, associates and joint ventures are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment or the investee reacquires its own equity instruments from the Parent Company.

Investment Properties
Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Parent Company.

The Parent Company uses the cost model in measuring investment properties. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of buildings classified as investment properties ranges from 20 to 40 years.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the parent company statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

The Parent Company discloses the fair values of its investment properties in accordance with PAS 40. The Parent Company engaged independent valuation specialist to assess fair value as at December 31, 2017 and 2016. The Parent Company's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Furniture, fixtures and office equipment	3-10
Transportation equipment	3-5

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in subsidiaries, associates and joint ventures
The Parent Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries, associates or joint ventures is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the parent company statement of income.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes: a) service costs comprising current service costs and past-service costs
b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the parent company statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Share-based Payments
The Parent Company has equity-settled, share-based compensation plans with its employees.

PFRS 2 options
For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using the Binomial Tree and Black-Scholes model, further details of which are presented in Note 26.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 options
For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

Employee Stock Ownership Plan
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares at a discounted price. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Parent Company less dividends declared.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of its own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized under "Additional paid-in capital". Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

<u>Revenue and Cost Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured.

For real estate sales, the Parent Company assesses whether it is probable that the economic benefits will flow to the Parent Company when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the physical proportion of of contract work. The percentage of completion is determined by the Parent Company's project engineers.

Any excess of collections over the recognized receivables are included in the "Accounts and other payables" account in the liabilities section of the parent company statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Accounts and other payables" account in the liabilities section of the parent company statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Parent Company's project engineers.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/ or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Rental income under noncancellable and cancellable leases on investment properties is recognized in the parent company statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Management and marketing fees are recognized when services are rendered.

Dividend income is recognized when the Parent Company's right to receive payment is established.

Interest income is recognized as it accrues using the effective interest method.

Commissions
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage-of-completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included under "Real estate costs and expenses" account in the parent company statement of income.

Expense Recognition
Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the statement of income:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Parent Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Parent Company as lessor
Leases where the Parent Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the parent company statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Parent Company as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the parent company statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, Carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Segment Reporting
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 27.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying parent company financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. The estimates and assumptions used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Distinction between real estate inventories and land and improvements
The Parent Company determines whether a property will be classified as real estate inventories or land and improvements. In making this judgment, the Parent Company considers whether the property will be sold in the normal operating cycle (Inventories) or whether it will be retained as part of the Parent Company's strategic landbanking activities for development or sale in the medium or long-term (Land and improvements).

Control of entities in which the Group holds only 50% or less than majority of voting rights
The Parent Company considers that it controls the following entities even though it owns 50% or less than majority of the voting rights.

Alabang Commercial Corp. (ACC)
For ACC, the Parent Company holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, the Parent Company has an existing management services agreement which gives the Parent Company the exclusive control and decision over the relevant activities of ACC.

BG Entities (BGWest, BGNorth and BGSouth)
For the BG entities, wherein the Parent Company and the other shareholder each own 50% of the voting rights, the Parent Company controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled the Parent Company to conclude that it has control.

Ayala Hotels, Inc. (AHI), Roxas Land Corp. (RLC), ALI-CII Development Corp. (ALI-CII) and Leisure and Allied Industries Philippines, Inc. (LAIP)
Parent Company has an existing management services agreement with AHI, RLC, ALI-CII and LAIP which gives Parent Company the exclusive control and decision over the relevant activities of AHI, RLC, ALI-CII and LAIP.

Significant influence on Bonifacio Land Corp (BLC)
The Parent Company considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies (see Note 11).

Contingencies
The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Parent Company currently does not believe that these proceedings will have a material effect on the Parent Company's financial position (see Note 29).

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition on real estate projects
The Parent Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Parent Company's revenue from real estate is recognized based on the percentage-of-completion which are measured principally on the basis of the estimated completion of a physical proportion of the contract work (see Note 19).

The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers). In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Estimating allowance for impairment losses
The Parent Company maintains allowance for impairment losses based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Parent Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are customer type, payment history, past due status and term. The collective assessment would require the Parent Company to classify its receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year (see Note 6).

Evaluation of net realizable value of real estate inventories and land and improvements
The Parent Company adjusts the cost of its real estate inventories and land and improvements to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories and land and improvements is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Parent Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized (see Notes 7 and 10).

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company (see Note 26).

Estimating pension liabilities and other retirement benefits
The determination of the Parent Company's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 24 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 24 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded and disclosed in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques and generally accepted market valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology. See Note 27 for the related balances.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	**₱1,187,483**	₱2,403,566
Cash in banks	**481,215,547**	1,028,831,347
Cash equivalents	**105,154,427**	251,410,279
	₱587,557,457	₱1,282,645,192

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term investment rates.

The annual interest rates of the cash equivalents are as follows:

	2017	2016
Philippine Peso	**2.5% to 2.8%**	1.6% to 2.4%
US Dollar	**1.1% to 2.0%**	–

5. Financial Assets at FVPL

The Parent Company has investments in the BPI Money Market Fund (MMF) (the Fund). The Fund, which is structured as a money market UITF, aim to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. The Fund has no minimum holding period.

The fair value of the Parent Company's total investment in the Fund amounted to ₱1.92 million and ₱1.89 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the total Net Asset Value (NAV) of the Fund aggregated to ₱5,886.9 million with duration of 142 days and ₱6,281.6 million with duration of 37 days, respectively. The fair value of the investment in BPI MMF is valued at ₱236.86 Net Asset Value Per Unit (NAVPU) as of December 31, 2017 and ₱232.85 as of December 31, 2016.

The financial assets at FVPL of the Parent Company which are measured at fair value as of December 31, 2017 and 2016, are classified under Level 2 in the fair value hierarchy. The fair value of the investment in UITF is based on net asset values as of reporting dates.

Reconciliation of the fair value measurement is shown below:

	2017	2016
Balance at beginning of year	**₱1,891,431**	₱1,842,588
Unrealized gains included under "Other income" (see Note 20)	**27,135**	48,843
Balance at end of year	**₱1,918,566**	₱1,891,431

6. **Accounts and Notes Receivable**

Accounts and notes receivable are summarized as follows:

	2017	2016
Trade		
Residential development	**₱30,778,465,117**	₱21,235,737,152
Corporate business	**1,279,902,219**	2,266,374,934
Shopping centers	**788,827,464**	468,805,936
Rent receivables	**33,520,303**	179,588,189
Others	**220,668,945**	89,029,354
Receivable from related parties (Note 23)	**39,604,749,149**	32,236,509,818
Advances to other companies	**9,295,570,595**	4,964,322,585
Advances to contractors and suppliers	**6,829,680,809**	9,857,173,196
Dividends receivable	**2,261,645,426**	2,141,216,846
Deposits on land purchases	**1,652,162,983**	1,652,162,983
Receivable from employees	**203,392,990**	180,657,613
Interest receivable (Note 23)	**12,656,112**	12,711,726
	92,961,242,112	75,284,290,332
Less allowance for impairment losses	**168,651,366**	695,008,403
	92,792,590,746	74,589,281,929
Less noncurrent portion	**18,364,364,916**	9,652,513,447
	₱74,428,225,830	₱64,936,768,482

The classes of trade receivables of the Parent Company follow:

- Residential development - pertains to receivables from the sale of high-end and upper middle-income residential lots and units, sale of commercial lots, and leisure community developments.
- Corporate business - pertain to lease receivables of office buildings.
- Shopping centers - pertain to lease receivables from retail spaces
- Rent receivables - pertain to receivables for lease of land and Ayala Property Management Corporation (APMC) - administered properties.
- Other trade receivables - pertain mainly to receivables from facility management and other support services.

Sales contract receivables, included under residential and office development, are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 8% to 12%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Receivables from shopping centers, rent receivables and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivable from related parties, dividends receivable and interest receivable are due and demandable.

Advances to other companies and deposits on land purchases includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The Parent Company does not intend that these advances will be repaid, but will instead be recorded as part of the project costs upon development or as part of consideration for purchases of land. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment.

Receivables from employees pertain to housing, car, salary and other loans granted to the Parent Company's employees which are collectible through salary deduction, are interest-bearing and payable on various maturity dates.

Receivables amounting to ₱168.7 million and ₱695.0 million as of December 31, 2017 and 2016, respectively, were impaired and fully provided with allowance. Movements in the allowance for impairment losses on receivables follow:

2017

	Trade				
	Shopping centers	**Corporate business**	**Others**	**Advances to other companies**	**Total**
Balance at beginning of year	**₱149,977,931**	**₱12,806,532**	**₱89,029,354**	**₱443,194,586**	**₱695,008,403**
Provisions during the year (Note 20)	**–**	**9,147,848**	**–**	**–**	**9,147,848**
Reversal (Note 20)	**(3,280,945)**	**–**	**(89,029,354)**	**(443,194,586)**	**(535,504,885)**
Accounts written off	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**₱146,696,986**	**₱21,954,380**	**₱–**	**₱–**	**₱168,651,366**
Individually impaired	**₱39,140,844**	**₱21,954,380**	**₱–**	**–**	**₱61,095,224**
Collectively impaired	**107,556,142**	**–**	**–**	**–**	**107,556,142**
Total	**₱146,696,986**	**₱21,954,380**	**₱–**	**₱–**	**₱168,651,366**
Gross amounts of receivables Individually determined to be impaired	**₱39,140,845**	**₱21,954,380**	**₱–**	**₱–**	**₱61,095,224**

2016

	Trade				
	Shopping centers	Corporate business	Others	Advances to other companies	Total
Balance at beginning of year	₱149,977,931	₱12,806,532	₱47,091,223	₱160,384,121	₱370,259,807
Provisions during the year (Note 20)	–		41,938,131	282,810,465	324,748,596
Accounts written off	–	–	–	–	–
Balance at end of year	₱149,977,931	₱12,806,532	₱89,029,354	₱443,194,586	₱695,008,403
Individually impaired	₱30,319,377	₱12,806,532	₱89,029,354	₱443,194,586	₱575,349,849
Collectively impaired	119,658,554	–	–	–	119,658,554
Total	₱149,977,931	₱12,806,532	₱89,029,354	₱443,194,586	₱695,008,403
Gross amounts of receivables Individually determined to be impaired	₱30,319,377	₱12,806,532	₱89,029,354	₱443,194,586	₱575,349,849

As of December 31, 2017 and 2016, trade receivables - residential development with nominal amounts of ₱33,685.6 million and ₱23,941.5 million, respectively, were initially recorded at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Parent Company's receivables as of December 31, 2017 and 2016 are as follows:

	2017	2016
Balance at beginning of year	**₱2,705,737,737**	₱2,729,256,380
Additions during the year	**1,797,032,350**	1,271,602,228
Accretion for the year	**(1,595,607,661)**	(1,295,120,871)
Balance at end of year	**₱2,907,162,426**	₱2,705,737,737

The Parent Company entered into agreements with BPI Asset Management and Trust Corporation in 2017 and 2016 for the assignment of interest-bearing employee receivables amounting to ₱69.0 million and ₱44.1 million, respectively. The transactions were without recourse and did not result to any gain or loss.

In March and May 2017, the Parent Company sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family savings bank, a related party, totaling to ₱1,214.7 in 2017 and ₱1,217.3 million in 2016. These were sold at discount with total proceeds of ₱1,137.5 million and ₱1,147.6 million, respectively. The Parent Company recognized loss on sale (under "Interest and other financing charges") amounting to ₱76.6 million in 2017 and ₱70.0 million in 2016.

7. Inventories

This account consists of:

	2017	2016
Real estate		
Residential and commercial lots		
At cost	**₱4,999,309,304**	₱8,737,984,417
At NRV	**9,064,469**	791,202,774
Residential and commercial units - at cost	**10,395,175,527**	9,626,070,274
	₱15,403,549,300	₱19,155,257,465

A summary of the movements in inventories is set out below:

2017

	Residential and commercial lots	Residential and commercial units	Total
Balances at beginning of year	**₱9,529,187,191**	**₱9,626,070,274**	**₱19,155,257,465**
Land cost transferred from land and improvements (Note 10)	**4,334,269,874**	**1,537,002,080**	**5,871,271,954**
Construction/development costs incurred/adjustments	**5,195,248,604**	**4,826,774,563**	**10,022,023,167**
Disposals (recognized as cost of real estate sales) (Note 20)	**(12,893,885,479)**	**(5,594,671,390)**	**(18,488,556,869)**
Transfers from (to) investment property (Note 12)	**(2,454,884,470)**	**–**	**(2,454,884,470)**
Write-down of inventories/reversal of write-down (Note 20)	**1,298,438,053**	**–**	**1,298,438,053**
Balances at end of year	**₱5,008,373,773**	**₱10,395,175,527**	**₱15,403,549,300**

2016

	Residential and commercial lots	Residential and commercial units	Club shares	Total
Balances at beginning of year	₱12,843,869,855	₱6,535,196,248	₱1,272,992,028	₱20,652,058,131
Land cost transferred from land and improvements (Note 10)	320,122,950	228,489,229	–	548,612,179
Construction/development costs incurred/adjustments	5,576,300,075	7,187,771,326	–	12,764,071,401
Disposals (recognized as cost of real estate sales) (Note 20)	(9,211,105,689)	(4,325,386,529)	–	(13,536,492,218)
Other adjustments and reclassification (Note 11)	–	–	(1,272,992,028)	(1,272,992,028)
Balances at end of year	₱9,529,187,191	₱9,626,070,274	₱–	₱19,155,257,465

In 2017, the Parent Company reversed ₱1,298.4 million allowance for impairment in inventories due to higher fair value than its carrying amount.

The cost of the inventories carried at NRV amounted to ₱175.3 million and ₱2,255.9 million as of December 31, 2017 and 2016, respectively.

8. Other Current Assets

This account consists of:

	2017	2016
Value-added input tax – net	**₱2,882,726,576**	₱4,581,824,337
Prepaid taxes and licenses	**2,780,324,930**	1,650,483,913
Prepaid expenses	**1,538,497,790**	1,315,126,009
Materials and supplies	**6,027,956**	6,027,956
	₱7,207,577,252	₱7,553,462,215

The value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Prepaid income tax pertains to the excess of payments made against current income tax due which can be claimed against income tax for future periods.

Prepaid expenses mainly include prepayments for commissions, marketing and management fees, advertising and promotions, rentals and insurance.

9. Available-for-Sale Financial Assets

This account consists of investments in shares of stock broken down as follows:

	2017	2016
Unquoted (net of allowance for impairment losses of ₱28.04 million)	**₱165,740,922**	₱164,166,972
Quoted	**12,486,647**	9,798,349
	178,227,569	173,965,321
Net unrealized gain	**39,487,351**	26,425,650
	₱217,714,920	₱200,390,971

Investments in unquoted shares of stock include unlisted shares in tourism and leisure, utilities and energy, financial asset management and real estate companies which the Parent Company will continue to carry for its real estate development projects. These are carried at cost less impairment, if any.

Movements in the net unrealized gain on AFS financial assets follow:

	2017	2016
Balance at beginning of year	**₱26,425,650**	₱16,375,650
Fair value changes during the year	**13,061,701**	10,050,000
Balance at end of year	**₱39,487,351**	₱26,425,650

The following tables provide the fair value hierarchy of the Parent Company's AFS financial assets which are measured at fair value:

2017

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	**December 31, 2017**	**₱51,974**	**₱–**	**₱51,974**	**₱–**
Unquoted					
Tourism and leisure	**Various**	**138,137**	**–**	**–**	**138,137**
Utilities and energy	**Various**	**15,716**	**–**	**–**	**15,716**
Financial asset management	**Various**	**10,729**	**–**	**–**	**10,729**
Real estate	**Various**	**1,159**	**–**	**–**	**1,159**

2016

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	December 31, 2016	₱36,224	₱–	₱36,224	₱–
Unquoted					
Tourism and leisure	Various	136,563	–	–	136,563
Utilities and energy	Various	15,716	–	–	15,716
Financial asset management	Various	10,729	–	–	10,729
Real estate	Various	1,159	–	–	1,159

10. Land and Improvements

The rollforward analysis of this account follows:

	2017	2016
Cost		
Balance at beginning of year	**₱55,369,208,934**	₱53,126,703,037
Additions	**4,291,810,644**	2,791,118,076
Transfers (Notes 7 and 13)	**(7,451,035,073)**	(548,612,179)
Disposals	**(348,397,296)**	–
Balance at end of year	**51,861,587,209**	55,369,208,934

(Forward)

	2017	2016
Allowance for impairment losses		
Balance at beginning of year	**₱706,692,664**	₱706,692,664
Provision during the year (Note 20)	**572,001,330**	–
Balance at end of year	**1,278,693,994**	706,692,664
	₱50,582,893,215	₱54,662,516,270

In June 2017, the Parent Company acquired properties in Laguna for its ALP Cerilo Project amounting to ₱2.96 billion and subsequently transferred the property to its inventory account.

In December 2017, the Company acquired land in San Jose del Monte, Bulacan amounting to ₱85.26 million.

During 2017, there were transfers from investment properties to land and improvements amounting to ₱1.42 million, transfers from land and improvements to advances to contractors amounting to ₱1,581.18 million, and transfers from land and improvements to inventories amounting to ₱5,871.27 million.

In May 2017, the Company sold properties located in Imus, Cavite amounting to ₱348.40 million, resulting to a gain on sale amounting to ₱7.26 million (see Note 20).

In 2017, the Company recorded provision amounting to ₱572.00 million, net of the ₱49.00 million reversal of impairment, for its properties located at Las Piñas City and Cebu.

11. Investments in Subsidiaries, Associates and Joint Ventures

The Parent Company's investments in subsidiaries, associates and joint ventures accounted for under the cost method of accounting, adjusted for impairment losses, if any, and the related percentages of ownership are shown below:

	Percentages of Direct Ownership		Carrying Amounts	
	2017	2016	**2017**	2016
Subsidiaries:				
AyalaLand Hotels and Resorts Corporation and Subsidiaries (AHRC)	**100%**	100%	**₱10,856,932,000**	₱8,106,432,000
Regent Wise Investment Ltd. and Subsidiary (Regent Wise)	**100**	100	**7,835,600,112**	7,835,600,112
Amaia Land Corporation and Subsidiary (Amaia)	**100**	100	**7,006,931,640**	7,006,931,640
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corporation (APPCo.)	**100**	100	**6,913,336,376**	7,057,086,376
Avida Land Corporation and Subsidiaries (Avida)	**100**	100	**6,689,977,831**	6,689,977,831
Prime Orion Philippines, Inc. (POPI)	**51**	51	**5,626,260,734**	5,625,000,000
North Ventures Commercial Corp. (Fairview Prime)	**100**	100	**4,094,145,284**	4,214,145,284
AyalaLand Estates, Inc. (formerly Southgateway Development Corp.) (SDC)	**100**	100	**4,047,717,118**	4,047,717,118
Cebu Holdings, Inc. and Subsidiaries (CHI)	**72**	67	**4,039,411,704**	3,464,417,231
Alveo Land Corporation and Subsidiaries (Alveo)	**100**	100	**2,677,613,403**	2,677,613,403
North Triangle Depot Commercial Corporation (NTDCC)	**73**	73	**2,640,805,402**	2,640,805,402
Summerhill E-Office Corporation (Summerhill)	**100**	100	**2,623,700,000**	2,161,000,000
Bay City Commercial Ventures Corp. (BCCVC)	**100**	–	**2,466,076,875**	–
BellaVita Land Corporation (BellaVita)	**100**	100	**2,300,000,000**	2,300,000,000

(Forward)

	Percentages of Direct Ownership		Carrying Amounts	
	2017	2016	**2017**	2016
Amorsedia Development Corp. and Subsidiary (ADC)	**100%**	100%	**₱2,274,943,627**	₱2,274,943,627
Makati Cornerstone Leasing Corp. (MCLC)	**100**	–	**2,213,961,000**	–
Arvo Commercial Corporation (Arvo)	**100**	100	**1,800,000,000**	1,800,000,000
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100	**1,665,726,210**	1,665,726,210
Capitol Central Commercial Ventures Corp. (CCCVC)	**100**	–	**1,641,642,500**	–
North Beacon Commercial Corporation (NBCC)	**100**	100	**1,403,500,000**	1,534,500,000
Arca South Commercial Ventures Corp. (ASCVC)	**100**	–	**1,367,302,500**	–
Roxas Land Corporation (RLC)	**50**	50	**1,361,022,960**	1,361,022,960
ALI Capital Corp. (formerly Varejo Corp.)	**100**	100	**1,339,000,000**	1,339,000,000
North Eastern Commercial Corp. (formerly Asterion Technopod Inc.) (ATI)	**100**	100	**1,300,100,000**	81,283,669
Aurora Properties Incorporated (API)	**80**	80	**1,199,997,664**	1,199,997,664
Cavite Commercial Town Centre, Inc. (CCTC)	**100**	100	**999,540,793**	1,030,540,793
Aviana Development Corporation (Aviana)	**50**	50	**966,000,000**	966,000,000
Central Block Developers Inc. (CBDI)	**45**	35	**871,325,000**	262,505,000
Cagayan De Oro Gateway Corporation (CDOGC)	**70**	70	**867,680,000**	867,680,000
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**	100	**854,500,000**	854,500,000
Nuevo Centro, Inc. (Nuevo Centro)	**55**	55	**819,223,620**	819,223,620
Soltea Commercial Corp. (Soltea)	**60**	60	**796,416,740**	796,416,740
Accendo Commercial Corp. (Accendo)	**67**	67	**774,197,062**	774,197,062
Makati Development Corporation and Subsidiaries (MDC)	**100**	100	**750,958,813**	750,958,813
Ecoholdings Company, Inc. (Ecoholdings)	**100**	100	**718,368,400**	718,368,400
Vesta Property Holdings, Inc. (VPHI)	**70**	70	**714,188,300**	1,134,188,300
Ceci Realty, Inc. (Ceci)	**60**	60	**699,785,665**	699,785,665
Whiteknight Holdings, Inc. (WHI)	**100**	100	**693,925,952**	662,675,952
ALO Prime Realty Corporation	**100**	100	**673,676,554**	513,676,554
Prow Holdings, Inc. (Prow)	**55**	55	**670,273,870**	670,273,870
Anvaya Cove Golf & Sports Club, Inc. (Anvaya Cove Golf)	**78**	78	**661,203,707**	934,655,505
Adauge Commercial Corporation (Adauge)	**60**	60	**600,000,000**	600,000,000
Westview Commercial Ventures Corp. (Westview)	**100**	100	**592,672,116**	607,672,116
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (AMHRI)	**20**	20	**584,702,865**	584,702,865
Ayala Hotels, Inc. (AHI)	**50**	50	**564,772,538**	564,772,538
Subic Bay Town Centre, Inc. (SBTCI)	**100**	100	**508,500,000**	508,500,000
Crans Montana Holdings, Inc. (CMHI)	**100**	100	**505,329,030**	505,329,030
Anvaya Cove Beach & Nature Club Inc. (Anvaya Cove Beach)	**73**	73	**530,938,546**	314,281,919
Ten Knots Development Corporation and Subsidiaries (TKDC)	**60**	60	**495,000,000**	495,000,000
Station Square East Commercial Corporation (SSECC)	**69**	69	**461,825,050**	461,825,050
Red Creek Properties, Inc. (RCPI)	**100**	100	**431,511,128**	431,511,128
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100	**300,000,000**	300,000,000
Serendra, Inc. (Serendra)	**28**	28	**266,027,100**	266,027,100
Alabang Commercial Corporation (ACC)	**50**	50	**258,431,769**	258,431,769
BGWest Properties, Inc. (BG West)	**50**	50	**250,000,000**	250,000,000
Crimson Field Enterprises, Inc. (CFEI)	**100**	100	**219,714,272**	219,714,272
Ayalaland Medical Facilities Leasing, Inc.	**100**	100	**205,000,000**	205,000,000
Southportal Properties, Inc. (Southportal)	**65**	65	**188,500,000**	188,500,000
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100	**173,000,000**	173,000,000
First Longfield Investments Limited (FLIL)	**100**	100	**167,923,610**	167,923,610

(Forward)

	Percentages of Direct Ownership		Carrying Amounts	
	2017	2016	**2017**	2016
Arca South Integrated Terminal, Inc.	**100%**	100%	**₱151,000,000**	₱151,000,000
Hillsford Property Corporation (HPC)	**100**	100	**150,000,000**	150,000,000
Ayala Land International Sales, Inc. and Subsidiary (ALISI)	**100**	100	**138,700,000**	138,700,000
ALInet.com, Inc. (ALInet)	**100**	100	**130,482,764**	130,482,764
ALI Commercial Center, Inc. (ACCI)	**100**	100	**125,000,000**	125,000,000
AMSI, Inc. (formerly Ayalaland Malls Synergies, Inc.) (AMSI)	**100**	100	**125,000,000**	62,500,000
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50	**106,300,000**	26,300,000
ALI-CII Development Corporation (ALI-CII)	**50**	50	**102,765,300**	102,765,300
Ten Knots Philippines, Inc.and Subsidiaries (TKPI)	**60**	60	**93,131,600**	93,131,600
Primavera Towncentre, Inc. (PTI)	**100**	100	**91,000,000**	91,000,000
Lagdigan Land Corp. (Lagdigan)	**60**	60	**48,000,000**	12,000,000
Aprisa Business Process Solutions (Aprisa)	**100**	100	**40,000,000**	40,000,000
DirectPower Services, Inc. (DirectPower)	**100**	100	**40,000,000**	40,000,000
Laguna Technopark, Inc. (LTI)	**75**	75	**30,229,290**	30,229,290
CMPI Holdings, Inc. (CMPI)	**60**	60	**28,800,000**	28,800,000
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**20**	20	**22,097,135**	22,097,135
Ayala Land Sales, Inc. (ALSI)	**100**	100	**10,000,000**	10,000,000
AyalaLand Malls, Inc. (ALMI) (formerly Solerte Corp.)	**100**	100	**5,000,000**	5,000,000
Altaraza Prime Realty Corporation (Altaraza)	**100**	100	**4,000,000**	4,000,000
Verde Golf Development Corp (Verde Golf)	**100**	100	**3,125,000**	3,125,000
Buendia Landholdings, Inc. (BLI)	**100**	100	**2,833,562**	2,833,562
Ayala Land Club Management, Inc.	**100**	100	**2,500,000**	2,500,000
Ayala Land Premier, Inc. (ALPI)	**100**	–	**2,500,000**	–
Ayala Property Management Corporation (APMC)	**100**	100	**1,912,026**	1,912,026
Ayala Theatres Management, Inc. (ATMI)	**100**	100	**864,559**	864,559
Five Star Cinema, Inc. (FSCI)	**100**	100	**250,000**	250,000
Next Urban Alliance Development Corp.	**100**	100	**62,500**	62,500
Regent Time International, Limited (Regent Time)	**100**	100	**52**	52
Joint Ventures:				
Emerging City Holdings, Inc. (ECHI)	**50**	50	**1,555,004,550**	1,555,004,550
Cebu District Property Enterprise, Inc. (CDPEI)	**35**	35	**1,050,000,000**	1,050,000,000
Berkshires Holdings, Inc. (BHI)	**50**	50	**666,430,521**	666,430,521
ALI-ETON Property Development Corporation	**50**	50	**642,000,000**	20,000,000
Associates:				
OCLP Holdings, Inc.(OHI)	**21**	21	**7,190,241,828**	7,190,241,828
Bonifacio Land Corporation (BLC)	**5**	5	**346,881,015**	373,490,737
Lagoon Development Corporation (LDC)	**30**	30	**37,050,000**	37,050,000
			120,163,979,142	106,807,809,622
Less allowance for probable losses			**319,959,706**	356,385,951
			₱119,844,019,436	₱106,451,423,671

The above companies are domestic except for Regent Time which is domiciled and incorporated in British Virgin Islands and FLIL and Regent Wise which are domiciled and incorporated in Hong Kong.

As of December 31, 2017 and 2016, the Parent Company had no commitments to its interests in joint ventures.

Investment in AHRC
In 2010, the Parent Company established AHRC to support the Parent Company's hotel and resort business. The Parent Company subscribed to all common and preferred shares issued at a total consideration of ₱1.2 billion.

In 2017 and 2016, the Parent Company made additional infusions amounting to ₱2,750.5 million and ₱2,000 million, respectively. As of December 31, 2017 and 2016, the Parent Company's investment amounted to ₱10,856.9 million and ₱8,106.4 million, respectively.

Investment in Regent Wise
In 2015 and 2014, the Parent Company's additional investments amounted to ₱6,096.5 million and ₱208.4 million, respectively, which increased the total investment in Regent Wise to ₱7,835.6 milllion and ₱1,739.1 million, respectively.

On April 6, 2015, Regent Wise has acquired 9.16% of the shares of Modular Construction Technology (MCT) Bhd. (formerly Malaysian company GW Plastics Holdings Bhd.), through a private placement for a total amount of US$43 million or ₱1.9 billion. MCT Bhd., first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid- to affordable residential. MCT Bhd. is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, inhouse trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants.

In May 2015, Regent Wise entered into call option agreements with the two founders and majority shareholders of MCT, Barry Goh Ming Choon and Tong Seech Wi, that will give Regent Wise the opportunity to increase its shareholdings in MCT up to a maximum of 32.95%. Then, on October 15, 2015, Regent Wise exercised its option to acquire additional shares of Malaysian development and construction company, MCT, Bhd. (MCT) for a total cost of US$92 million to bring its total shareholding from 9.16% to 32.95%. The increase in stake will provide the Parent Company with the opportunity to establish a stronger foothold in the Real Estate sector in Malaysia.

As of December 31, 2017 and 2016, the investment in Regent Wise amounted to ₱7,835.6 million.

Investment in Amaia
In 2016, the Parent Company made additional infusion amounting to ₱2.5 billion increasing its investment to ₱7,006.9 million as of December 31, 2017 and 2016.

Investment in ALO
On July 18, 2014, the Board of Directors (BOD) and the stockholders of APPCo approved the change of its corporate name to AyalaLand Offices, Inc (ALO). On October 17, 2014, the amended Articles of Incorporation was executed and subsequently approved by SEC on November 18, 2014. In 2015, the Parent Company made additional infusions amounting to ₱3,270.5 million increasing its investment cost to ₱7,200.6 million as of December 31, 2015. In 2017 and 2016, the Parent Company redeemed preferred shares amounting to ₱143.65 million for each year, decreasing its investment cost to ₱6,913.3 million and ₱7,057.1 million as of December 31, 2017 and 2016.

Investment in POPI
On February 24, 2016, ALI and POPI executed a Deed of Subscription and Supplement to the Deed of Subscription whereby the Parent Company subscribed to 2.5 billion of common shares of POPI stock at ₱2.25 per share or representing 51.4% of the total outstanding shares of POPI to be taken out of the increase in capital stock of POPI. On July 4, 2016, SEC approved such increase in POPI and issued a Certificate of Increase in Capital Stock.

In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of the total POPI's outstanding capital stock.

Investment in Fairview Prime
On July 31, 2014, the Board of Directors and stockholders of Fairview Prime Commercial Corp. approved the amendment of Fairview Prime's Articles of Incorporation to change its name to North Ventures Commercial Corp. The Amendment was subsequently approved by the SEC on December 3, 2014.

In 2015 and 2014, the Parent Company made additional investments amounting to ₱145.9 million and ₱2,515.9 million, respectively in Fairview Prime. As of December 31, 2015 and 2014, the Parent Company's investment amounted to ₱4,264.1 million and ₱1,748.3 million, respectively.

In 2017 and 2016, the Parent Company's investment in preferred shares of Fairview Prime amounting to ₱120.0 million and ₱50.0 million was redeemed, which decreased the Parent Company's total investment in Fairview Prime to ₱4,094.1 million and ₱4,214.1 million as of December 31, 2017 and 2016, respectively.

Investment in SDC
SDC, a wholly owned subsidiary of the Parent Company, was incorporated on October 19, 2012 to be involved in real estate development projects of the Parent Company. In 2014, the Parent Company made additional investment amounting to ₱4,042.7 million increasing its investment cost to ₱4,047.7 million as of December 31, 2017 and 2016.

On July 25, 2017, the Board of Directors and stockholders of Southgateway Development Corp. approved the amendment of its Articles of Incorporation to change its name to AyalaLand Estates, Inc. The Amendment was subsequently approved by the SEC on September 5, 2017.

Investment in CHI
In February 2016, ALI purchased additional 906,000 common shares of CHI from BPI Securities Corporation totaling ₱4.1 million which brought ALI's ownership from 56.36% to 56.40%. Subsequently, on March 14, 2016, ALI bought additional 200,953,364 CHI's common shares from First Metro Securities Brokerage Corporation for ₱1,200.0 million resulting into an increase to 66.9% of the total outstanding capital stock of CHI.

In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which brought up ALI ownership to 72% of the total outstanding capital stock of CHI.

As of December 31, 2017 and 2016, the investment in CHI amounted to ₱4,039.4 million and ₱3,464.4 million, respectively.

Investment in Alveo
In 2016 and 2015, the Parent Company infused additional capital to Alveo amounting ₱1,000.0 million each year increasing the investment amount to ₱2,677.6 million as of December 31, 2017 and 2016.

Investment in NTDCC
On December 10, 2014, the Parent Company purchased its proportionate share in Anglo Philippine Holdings Corporation's (Anglo) 15.79% interest in NTDCC for ₱738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. Subsequently, on December 22, 2014, the Parent Company purchased the shares of Allante Realty and Development Corporation (Allante) and DBH Incorporated (DBH) in NTDCC for ₱211.2 million each comprising of 154,287 common shares and 648,196 preferred shares from each company. This increased the Parent Company's ownership in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC.

On February 6, 2015, the Parent Company purchased the remaining interest of Anglo in NTDCC consisting of 382,072 common shares and 1,605,169 preferred shares amounting to ₱523.0 million. The transaction brought the Parent Company's ownership from 63.82% to 70.36% of the total outstanding capital stock of NTDCC which owns and operates the Trinoma commercial centre in North Triangle, Quezon City.

Subsequently, the Parent Company purchased the combined remaining interest of Allante and DBH in NTDCC consisting of 167,548 common shares and 703,904 preferred shares amounting to ₱229.0 million which brought the Parent Company's ownership in NTDCC from 70.36% to 73.24% of the total outstanding capital stock of NTDCC. This acquisition is aligned with the Parent Company's thrust of expanding its leasing business.

The Parent Company's investment amounted to ₱2,640.8 million as of December 31, 2017 and 2016.

Investment in Summerhill
In 2017 and 2016, the Parent Company made additional capital infusions for a total cost of ₱462.7 million and ₱60.6 million, respectively which increased the Parent Company's investment to ₱2,623.7 million and ₱2,161.0 million as of December 31, 2017 and 2016, respectively.

Investment in BCCVC
Bay City Commercial Ventures Corp. was incorporated on November 3, 2017. BCCVC is a wholly owned subsdiary which was organized primarily for the development of Ayala Malls Bay City. The Parent Company's investment amounted to ₱2,466.1 million as of December 31, 2017.

Investment in BellaVita
In 2015, the Parent Company made additional infusion amounting to ₱300.0 million and redeemed ₱10.8 million of its preferred shares. The carrying amount of the Parent Company's investment amounted to ₱2,200.0 million as of December 31, 2015.

In 2016, the Parent Company made additional infusion amounting to ₱100.0 million increasing its investment to ₱2,300.0 million as of December 31, 2017 and 2016.

Investment in MCLC
Makati Cornerstone Leasing Corp., a wholly owned subsidiary was registered with SEC on June 5, 2017. MCLC was organized to develop the Circuit BPO1 and Circuit BPO2. The Parent Company's investment amounted to ₱2,214.0 million as of December 31, 2017.

Investment in Arvo
On June 23, 2011, Arvo, a wholly owned subsidiary of the Parent Company, was primarily established to develop and operate shopping malls within the Parent Company's identified growth areas across the country. An investment of 3,250,000 common and 29,250,000 preferred shares was made by the Parent Company for an aggregate consideration of ₱32.5 million.

In 2014, the Parent Company made additional infusions amounting to ₱1,017.5 million increasing its investment cost to ₱1,800.0 million as of December 31, 2017 and 2016.

Investment in AMNI
AMNI was incorporated in November 29, 2012 and is a wholly owned subsidiary of the Parent Company. It is established primarily to develop and operate shopping malls and offices.

In 2015, the Parent Company made additional investment amounting to ₱1,179.2 million increasing its investment cost to ₱1,665.7 million as of December 31, 2017 and 2016.

Investment in CCCVC
Capitol Central Commercial Ventures Corp., a wholly-owned subsidiary was incorporated on December 4, 2017 for the development of Ayala Malls Capitol Central. The Parent Company's investment amounted to ₱1,641.6 million as of December 31, 2017.

Investment in NBCC
In 2008, the Parent Company, through NBCC and as part of its ongoing development in North Luzon, started to develop a 70,000 square meter retail center dubbed as "The MarQuee" mall located in Angeles City, Pampanga.

In 2015, the Parent Company made additional infusion amounting to ₱910.0 million and redeemed ₱21.0 million of its preferred shares. The carrying amount of the Parent Company's investment amounted to ₱1,580.0 million as of December 31, 2015.

In 2017 and 2016, the Parent Company redeemed ₱131.0 million and ₱45.5 million of its preferred shares which decreased the total cost of its investment to ₱1,403.5 million and ₱1.534.5 million as of December 31, 2017 and 2016.

Investment in ASCVC
Arca South Commercial Ventures Corp., a wholly owned subsidiary, was incorporated on November 16, 2017 for the development of Ayala Malls Arca South. The Parent Company's investment amounted to ₱1,367.3 million as of December 31, 2017.

Investment in RLC
In 2015, the Parent Company's investment in preferred shares of RLC amounting to ₱58.5 million was redeemed, which decreased the Parent Company's total investment in RLC to ₱1,361.0 million as of December 31, 2017 and 2016.

Investment in ALI Capital Corp. (formerly Varejo)
Varejo, a wholly owned subsidiary of the Parent Company, was incorporated with the SEC on June 25, 2012. It is the holding company of the Parent Company for its retail-related initiatives. In 2012, the Parent Company, through Varejo, formed a partnership with Specialty Investments, Inc. (SII) to pursue opportunities in the Philippine retail sector. SII is a wholly owned subsidiary of Stores Specialists, Inc. (SSI), one of the largest retail companies in the Philippines, with the exclusive rights to sell, distribute and market in the country a variety of brands from around the world. The partnership with SII will enable the Parent Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

The carrying amount of the Parent Company's investment is ₱1,113.1 million, net of impairment amounting to ₱225.9 million as of December 31, 2017 and 2016.

Investment in ATI
Asterion Technopod Inc., a wholly-owned subsidiary was incorporated on July 8, 2008. ATI was organized to manage the operations of the commercial businesses in the northeast area of Metro Manila.

On August 16, 2016, the Board of Directors and stockholders of Asterion Technopod, Inc. approved the amendment of ATI's Articles of Incorporation to change its name to North Eastern Commercial Corp. The Amendment was subsequently approved by the SEC on September 29, 2017.

In 2017, the Parent Company made additional infusions amounting to ₱1,218.8 million which increased the Parent Company's investment amount to ₱1,300.1 million as of December 31, 2017.

Investment in API
In July 2015, the Parent Company acquired 258,155 shares of API from Coromandel Inc. amounting to ₱58.2 million. The transaction brought the Parent Company's ownership from 77.78% to 79.72% of the total outstanding capital stock of API.

The Parent Company's investment amounted to ₱1,200.0 million as of December 31, 2017 and 2016.

Investment in CCTC
In 2015, the Parent Company made additional infusions amounting to ₱682.7 million. The Parent Company's investment amount is ₱1,086.1 million as of December 31, 2015.

In 2017 and 2016, the Parent Company redeemed ₱31.0 million and ₱55.5 million of its preference shares, respectively. The Parent Company's investment amount is ₱999.5 million and ₱1,030.5 million as of December 31, 2017 and 2016, respectlively.

Investment in Aviana
Aviana, incorporated on September 17, 2013, is a 60-40 joint venture company between the Ayala Land Group (10%-owned by Accendo) and the Alcantara Group. The Parent Company will develop approximately 27-hectare waterfront property in Lanang, Davao City. The first phase of the project is expected in the second quarter of 2014.

In 2016, the Parent Company made additional infusion amounting to ₱604.75 million, which increased the Parent Company's total investment amounting to ₱966.0 million as of December 31, 2017 and 2016.

Investment in CBDI
CBDI is a subsidiary of the Parent Company with pro-rata ownership of the ALI Group's Cebu Companies, CPVDC and CHI. The project of CBDI is called Central Bloc and is located at the core of Cebu IT Park. The development includes two BPO towers, an Ayala branded hotel, and a 5-storey mall. On July 28, 2015, CBDI was registered in SEC. CBDI was organized to develop, sell, invest, own, acquire, lease, hold, mortgage, administer, or otherwise deal with commercial, residential, industrial, or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, including to own, hold in ownership, manage deal and engage in the general business of a hotel, apartment hotel, inn, resort, restaurant, café, bar, entertainment and other allied businesses and to the limit and extent permitted by law, alone or jointly with other persons, natural or artificial.

In 2017 and 2016, the Parent Company made additional infusion amounting to ₱608.8 million and ₱175.0 million, respectively. The carrying amount of Parent Company's investment in CBDI amounted to ₱871.3 million and ₱262.5 million as of December 31, 2017 and 2016, respectively.

Investment in PhilEnergy
The Parent Company acquired Mitsubishi Corporation's (MC) 40% equity stake in PhilEnergy which effectively made PhilEnergy a wholly owned subsidiary of the Parent Company. The transaction which was executed on March 13, 2014 through a Share Purchase Agreement involving 2,957,200 shares held by MC in PhilEnergy amounted to a total investment cost of ₱322.3 million.

In 2015, the Parent Company made additional infusions amounting to ₱67.0 million. The Parent Company's investment amounted to ₱854.5 million as of December 31, 2017 and 2016.

Investment in Nuevo Centro
In 2016, the Parent Company converted debt-to-equity securities amounting to ₱511.7 million and redeemed ₱280 million of its investment in Nuevo Centro. The carrying amount of Parent Company's investment amounted to ₱819.2 million as of December 31, 2017 and 2016.

From March 2016 to July 2016, Leonio Land Holdings, Inc. (LLHI) subscribed to 18,150,931 common and 48,876,456 preferred shares of Nuevo Centro or equivalent to 45.0% stake of NCI's total outstanding capital. This transaction brought ALI's interest in Nuevo Centro to 55.0% as of December 31, 2017 and 2016.

Investment in Soltea
Soltea, a joint venture between the Parent Company (60%) and Ceci (40%), was incorporated on June 13, 2013. Currently, its main purpose is the development of Solenad 3 project in Sta. Rosa, Laguna.

In 2014, the Parent Company acquired 21,750,000 common shares and 195,750,000 preferred shares at par amounting to ₱217.5 million. On December 29, 2014, Soltea increased its authorized capital stock and included API as additional owner. The new ownership structure will give the Parent Company 60% ownership while Ceci and API will both have 20% ownership.

In April 2015, the Parent Company made proportionate acquisition of Soltea shares amounting to ₱544.5 million which consists of 54,449,999 common shares and 490,050,000 preferred shares. Similarly, an infusion amounting to ₱181.35 million was made by Ceci to Soltea consisting of 18,135,000 common shares and 163,215,000 preferred shares. Moreover, additional shares of Soltea comprising of 18,165,000 common shares and 163,485,000 preferred shares was bought by API for a total value of ₱181.6 million.

As of December 31, 2017 and 2016, the Parent Company's investment in Soltea amounted to ₱796.4 million.

Investment in MDC
In 2015, the Parent Company made additional infusions amounting to ₱700.0 million. The Parent Company's investment amount is ₱751.0 million as of December 31, 2017 and 2016.

Investment in VPHI
In 2017 and 2016, the Parent Company's investment in preferred shares of VPHI was redeemed amounting to ₱420.0 million and ₱369.6 million, respectively. This decreased its investment in VPHI to its carrying amount of ₱714.2 million and ₱1,134.2 million as of December 31, 2017 and 2016, respectively.

Investment in Ceci
Ceci is a joint venture between the Parent Company (60%) and the Yulo Family (40%), which was incorporated in 1974 for the purpose of developing and selling residential and commercial lots in Nuvali in Canlubang, Laguna.

On July 31, 2014, the Parent Company acquired additional equity interest in Ceci composed of 460,483 Class B common shares for ₱13.7 million, which increased the Parent Company's ownership from 60% to 60.4%. As of December 31, 2017 and 2016, the Parent Company's investment in Ceci amounted to ₱699.8 million.

Investment in WHI
WHI was registered on May 14, 2013. The Parent Company entered into an agreement with the Mercado family to acquire WHI in July 2013. The transaction was consummated in November 2013, thereby making WHI a wholly owned subsidiary of the Parent Company. WHI owns 36% equity stake in Mercado General Hospital, Inc., owner and operator of the Daniel O. Mercado Medical Center in Tanauan, Batangas, the University Physicians Medical Center through its subsidiary Mercado Ambulatory and Surgical Centers, Inc., DMMC - Institute of Health Sciences, Inc. and Panay Medical Ventures, Inc. As of December 31, 2013, the Parent Company's investment in WHI amounted to ₱373.5 million.

In 2017 and 2016, the Parent Company made additional infusion amounting ₱31.3 million and ₱74.8 million, respectively, which increased the total cost of its investment to ₱693.9 million and ₱662.6 million as of December 31, 2017 and 2016, respectively.

Investment in ALO Prime Realty Corporation
On March 11, 2015, the Parent Company acquired from Aegis Philippines, Inc. a 3,621 sqm land located along Inez Villa Street, Cebu IT Park, Brgy. Apas, Cebu City, where the building owned by APRC is situated, for ₱152.08 million. On April 8, 2015, the Parent Company purchased all of the 8,200,000 common shares of Equinox Technoparks Ltd, Inc. in Aegis PeopleSupport Realty Corporation for a total consideration of ₱513.68 million (see Note 24). On April 14, 2015, the BOD of Aegis PeopleSupport Realty Corporation approved the change of its corporate name to ALO Prime Realty Corporation (APRC). APRC which is a PEZA-registered entity, owns the Aegis building along

Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease.

In 2017, the Parent Company made additional infusion amounting ₱160.0 million which increased the total cost of its investment to ₱673.7 million as of December 31, 2017.

Investment in Prow
In April 2016, the Parent Company purchased 6,000,000 common shares and 24,000,000 preferred redeemable shares of Prow with par value of ₱10.00 per share each for ₱300.0 million Subsequently, on May 23, 2016, additional 3,000,000 common shares and 12,000,000 preferred redeemable shares with par value of ₱10.00 per share were acquired by ALI for ₱150.0 million Furthermore, in August 2016, a total of 9,150,931 common shares and 12,876,456 preferred redeemable shares were purchased for a total consideration of ₱220.3 million which brought ALI's ownership to 55.0% of the total outstanding capital stock of Prow. The transactions were entered based on the governing joint venture agreement between ALI and Leonio Land Holdings, Inc. (LLHI) for the development of Alviera Estate in Porac, Pampanga.

Investment in Anvaya Cove Golf
In 2016, the Parent Company reclassified its Investment in Anvaya Cove Golf to investment in subsidiaries, associates and joint ventures in compliance with Philippine Interpretations Committee (PIC) Q&A 2016-02 PAS 32 and PAS 38 – Accounting Treatment of Club Shares Held by an Entity. As of December 31, 2017 and 2016, the Parent Company's investment amounted to ₱665.2 million and ₱934.7 million.

Investment in Adauge
Adauge, a subsidiary of the Parent Company, was incorporated on September 5, 2012 for the acquisition and development of a mixed-use project in Mandurriao, Iloilo City.

On August 18, 2014, Antoman Realty Corporation invested an additional interest in Adauge consisting of 10,419,813 common shares and 93,778,320 preferred shares amounting to ₱104.2 million which decreased the Parent Company's ownership from 86.67% to 72.15% of the total capital stock of Adauge.

On January 23, 2015, the Parent Company purchased additional shares in Adauge consisting of 15,000,000 common shares and 135,000,000 preferred shares for a total value of ₱150 million which brought the the Parent Company's ownership to 77.6%. Subsequently, in 2015, Adauge issued 226,336,443 shares comprised of 22,633,644 common shares and 203,702,799 preferred shares to Kapideco Holdings, Inc., Socoped Development Corporation and Dasa Realty Corporation for a total value of ₱226.3 million. This resulted to the Parent Company's 60% ownership in the total outstanding capital stock of Adauge.

As of December 31, 2017 and 2016, the Parent Company's investment in Adauge amounted to ₱600.0 million.

Investment in Westview
In 2015, the Parent Company purchased additional preferred shares of Westview amounting to ₱336.9 million which increased the total investment to ₱619.7 million as of December 31, 2015.

In 2017 and 2016, the Parent Company redeemed ₱15.0 million and ₱12.0 million of its investment in preferred shares in Westview, respectively, which decreased the Parent Company's total investment to ₱592.7 million and ₱607.7 million as of December 31, 2017 and 2016.

Investment in AMHRI (formerly KAMI)
In December 2007, the Parent Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprising of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences.

The 7,377-square meter property developed was conveyed by the Parent Company to KAMI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

As of December 31, 2017 and 2016, the Parent Company's investment in AMHRI amounted to ₱584.7 million.

Investment in AHI
In 2015, the Parent Company purchased additional common shares amounting ₱97.3 million which increased the total investment to ₱512.3 million as of December 31, 2015.

In 2016, the Parent Company made additional infusion amounting to ₱52.5 million. The Parent Company's investment in AHI amounted to ₱564.7 million as of December 31, 2017 and 2016.

Investment in SBTCI
In 2010, the Parent Company established SBTCI to handle the planning, development and management of a mall to be constructed in Subic Bay Freeport Zone.

In 2014, the Parent Company's investment in preferred shares of SBTCI amounting to ₱141.5 million was redeemed, decreasing its total investment to ₱508.5 million as of December 31, 2017 and 2016.

Investment in CMHI
In 2016, the Parent Company redeemed ₱82.2 million of its investment in preferred shares in CMHI decreasing the carrying amount of its investment to ₱505.3 million as of December 31, 2017 and 2016.

Investment in Anvaya Cove Beach
In 2016, the Parent Company reclassified its Investment in Anvaya Cove Beach to investment in subsidiaries, associates and joint ventures in compliance with Philippine Interpretations Committee (PIC) Q&A 2016-02 PAS 32 and PAS 38 – Accounting Treatment of Club Shares Held by an Entity. As of December 31, 2017 and 2016, the Parent Company's investment amounted to ₱500.4 million and ₱314.28 million.

Investment in SSECC
In 2015 and 2014, the Parent Company's investment in preferred shares of SSECC amounting to ₱49.1 million and ₱104.9 million, respectively, was redeemed. The redemption decreased the Parent Company's total investment in SSECC to ₱461.8 million as of December 31, 2017 and 2016.

Investment in AMFLI
Ayalaland Medical Facilities Leasing, Inc. is a wholly owned subsidiary of the Parent Company. It was incorporated with SEC on April 13, 2015 to engage primarily in developing and lease of Built-to-suit structure for AMFLI's hospital operations and retail.

In 2016, the Parent Company made additional infusion amounting to ₱80.0 million. The carrying amount of Parent Company's investment amounted to ₱205.0 million as of December 31, 2017 and 2016.

Investment in Southportal
Southportal Properties, Inc. (Southportal) was incorporated on December 1, 2014. It is 65%-owned by the Parent Company and the remaining 35% is held by CHI. The primary purpose of Southportal is to develop, sell and manage the operations for Ayala Land Premiere (ALP) Towers in Cebu.

In 2015, the Parent Company made additional investment amounting ₱76.7 million increasing the investment amount to ₱188.5 million as of December 31, 2017 and 2016.

Investment in Sunnyfield
In 2015, the Parent Company purchased additional common shares amounting ₱20.0 million which increased the total investment to ₱173.0 million as of December 31, 2017 and 2016

Investment in FLIL and ARCH Entities
In 2006, the Parent Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Parent Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and Philippines. In the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Group Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly owned subsidiary of FLIL, transferring the interests of AC and the Parent Company in ARCH Capital into Fine State and Green Horizons, respectively. Fine State and Green Horizons are wholly owned Hong Kong subsidiaries of AC and the Parent Company, respectively.

The Parent Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the private equity fund called ARCH Asian Partners, L.P. (Fund). As of December 31, 2015 and 2014, the Parent Company (through Green Horizon) and AC (through Fine State) owned a combined interest in ARCH Capital of 50%.

In 2012, the Parent Company's investment over the Fund was reclassified from associate to FVPL. The Parent Company lost significant influence over the Fund since its investments pertain to monetary interest and no longer equity interest.

As of December 31, 2015 and 2014, the Parent Company's remaining capital commitment with the Fund both amounted to nil.

In 2017, the Parent Company reversed the impairment of the investment which amounted to ₱36.4 million. The carrying amount of the Parent Company's investment amounted to ₱167.9 million and ₱131.5 million as of December 31, 2017 and 2016.

Investment in Arca South Integrated Terminal, Inc.
Arca South Integrated Terminal, Inc. is a wholly owned subsidiary of the Parent Company which was incorporated on November 27, 2015. It is organized to finance, design, construct and manage the South Transport System Terminal Project located in Bicutan (formerly FTI). It is a project to be rolled out by the Department of Transportation and Communications which involves the development of mass transportation intermodal terminal at the southern outskirts of Metropolitan Manila to provide effective interconnection between transport modes and services.

In 2016, the Parent Company made additional infusion amounting to ₱81.0 million increasing its investment which amounted to ₱151.0 million as of December 31, 2017 and 2016.

Investment in HPC
In 2015, the Parent Company made additional infusion amounting to ₱92.3 million and redeemed ₱70.0 million of its preferred shares. The carrying amount of the Parent Company's investment amounted to ₱150.0 million as of December 31, 2017 and 2016.

Investment in ALISI
ALISI bought its ownership interests over Ayala Land International Marketing, SRL in Italy and Ayala Land International Marketing, Inc. in London from Avida Sales Corporation on April 9, 2014 and December 10, 2014, respectively. ALISI continues to widen the range of exposure of all ALI residential brands by its marketing partners.

In 2014, the Parent Company contributed ₱16.2 million to ALISI in exchange for 16,200,000 common shares. As of December 31, 2017 and 2016, the carrying amount of the Parent Company's investment amounted to ₱138.7 million.

Investment in ALInet
ALInet.com, Inc. was registered with the Securities and Exchange Commission on May 5, 2000 and was organized primarily to purchase, or otherwise acquire and own shares of stock and other securities of any corporation or association, domestic or foreign, that deal in products, goods or services in connection with the transmission, receiving or exchange of voice, data, video or any form or kind of communication.

ALInet has been dormant and has not yet started operations since 2000. On December 16, 2011, its Board of Directors (BOD) approved the application to dissolve the Company.

The carrying amount of the Parent Company's investment is ₱36.5 million, net of impairment amounting to ₱94.0 million as of December 31, 2017 and 2016.

Investment in ACCI
ALI Commercial Center, Inc. (ACCI) is a wholly owned subsidiary of the Parent Company and was incorporated on October 13, 2014. ACCI manages the operations of Glorietta and Greenbelt malls. As of December 31, 2017 and 2016, investment in ACCI amounted to ₱125.0 million.

Investment in AMSI
AMSI is a wholly owned subsidiary that was incorporated on June 1, 2016. AMSI will house the Commercial Business Group's allied businesses such as but not limited to the partnership with Meralco, LED, and operation of upcoming mall's foodcourt. As of December 31, 2016, investment in AMSI amounted to ₱62.5 million.

On December 23, 2016, the Board of Directors and stockholders of AMSI approved the amendment of its Articles of Incorporation to change its name to AMSI, Inc. The Amendment was subsequently approved by the SEC on April 7, 2017.

In 2017, the Parent Company made additional infusion amounting to ₱62.5 million increasing its investment to ₱125.0 million as of December 31, 2017.

Investment in LAIP
Leisure and Allied Industries Philippines, Inc. was incorporated and registered with the Securities and Exchange Commission (SEC) on October 10, 1997 to deal and engage in the business of owning, operating and managing entertainment and amusement centers wherein coin operated and non-coin operated interactive entertainment games, attractions, rides and machines shall be installed.

In 2017, the Parent Company made additional infusion amounting to ₱80.0 million increasing its investment to ₱106.3 million as of December 31, 2017.

Investment in Lagdigan
Lagdigan Land Corp. (Lagdigan) is a 60:40 joint venture between the Parent Company and AC. It was incorporated on March 17, 2014 and its main purpose is to develop Laguindingan's 500-hectare property owned by AC. The vision is to develop it as a mixed-use area that will be the primary growth area in Misamis Oriental. As of December 31, 2015 and 2014, investment in Lagdigan amounted to ₱12.0 million.

In 2017, the Parent Company made additional infusion amounting to ₱36.0 million, equivalent to 1,800,000 common shares and 16,200,000 preferred shares, increasing its investment to ₱48.0 million as of December 31, 2017.

Investment in ALMI
Solerte, a wholly owned subsidiary, was incorporated on February 12, 2013 as a shared-service entity to provide manpower services for the Ayala Malls Group.

On August 27, 2014, the Board of Directors and the stockholders approved the change of its corporate name to AyalaLand Malls, Inc. (ALMI). The amended Articles of Incorporation was approved by Securities and Exchange Commission on December 18, 2014.

As of December 31, 2017 and 2016, the Parent Company's investment in ALMI amounted to ₱5.0 million consisting of 500,000 common shares and 4,500,000 preferred shares.

Investment in Altaraza
Altaraza is a wholly owned subsidiary that was incorporated on March 9, 2016 to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial. Altaraza handles the project development in Altaraza IT Park, Bulacan. As of December 31, 2017 and 2016, investment in Altaraza amounted to ₱4.0 million.

Investment in ALPI
AyalaLand Premier, Inc., is a wholly owned subsidiary which was registered with the SEC on July 7, 2017 to engage primarily in general contracting services. The Parent Company's investment amounted to ₱2.5 million as of December 31, 2017.

Investment in Next Urban Alliance Development Corp.
Next Urban Alliance Development Corp. is a wholly owned subsidiary of the Parent Company and was incorporated on May 4, 2015. Its purpose is to develop, invest, own or acquire commercial, residential or agricultural lands.

Investment in ECHI, BHI and BLC
On April 17, 2003, the following transactions have been consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Parent Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation (GDC) and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Parent Company, EHI and Metro Pacific Corporation (MPC) as amended:

(a) The assignment to the Parent Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Parent Company and EHI for such assignment was approximately US$90 million, subject in part to foreign exchange adjustment.

(b) The assignment to the Parent Company and EHI acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus) of the controlling interest in BLC represented 50.38% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5% of BLC's unencumbered shares as a security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Parent Company and EHI jointly hold the 50.38% equity interest in BLC through ECHI and BHI. The Parent Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.38% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method, resulting in a negative goodwill of ₱1.4 billion.

The Parent Company and EHI acquired additional shares of BLC in 2009 and 2008 through a combination of direct acquisition and through Columbus at varying dates as follows:

- On July 31, 2008, the Parent Company acquired, through Regent and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.66% ownership in BLC.

- In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

- In 2011, BLC redeemed its preferred shares amounting to ₱48.2 million. In 2012, the Parent Company invested additional ₱50.5 million. As of December 31, 2015 and 2014, the Parent Company's interest in BLC amounted to ₱373.5 million.

<u>Investment in CDPEI</u>
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Parent Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue.

On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 10% CHI and 5% CPVDC. As of December 31, 2017 and 2016, the Parent Company's interest in CDPEI amounted to ₱1,050.0 million.

<u>Investment in ALI-ETON Property Development Corporation</u>
ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between Ayala Land, Inc. and LT Group, Inc. The ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

In 2017, ALI made additional infusions amounting to ₱622.0 million, which increased its investment to ₱642.0 million as of December 31, 2017.

<u>Investment in OHI</u>
OHI owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses. In 2016, the Parent Company acquired a 21.1% stake in OHI consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships. The acquisition was made possible via the purchase of shares from existing OHI shareholders.

As of December 31, 2017 and 2016, the Parent Company's investment in OHI amounted to ₱7,190.2 million.

Investment in LDC
In 2016, the Parent Company redeemed ₱7.2 million of investment in LDC decreasing the total cost of investment amounting to ₱37.05 million as of December 31, 2017 and 2016.

12. Investment Properties

The rollforward analysis of this account follows:

2017

	Land	Buildings	Construction in Progress	Total
Cost				
Balance at beginning of year	**₱4,934,841,165**	**₱24,685,074,329**	**₱26,389,626,219**	**₱56,009,541,713**
Additions	**493,480,430**	**1,447,000,598**	**15,537,156,158**	**17,477,637,186**
Transfer (Notes 7 and 13)	**2,599,574,892**	**5,047,009,302**	**(5,269,551,672)**	**2,377,032,522**
Disposals	**–**	**–**	**(23,813,949,229)**	**(23,813,949,229)**
Balance at end of year	**8,027,896,487**	**31,179,084,229**	**12,843,281,476**	**52,050,262,192**
Accumulated depreciation				
Balance at beginning of year	**–**	**9,879,297,809**	**–**	**9,879,297,809**
Depreciation (Note 20)	**–**	**791,434,966**	**–**	**791,434,966**
Transfers (Note 13)	**–**	**2,453,140**	**–**	**2,453,140**
Balance at end of year	**–**	**10,673,185,915**	**–**	**10,673,185,915**
Net Book Value	**₱8,027,896,487**	**₱20,505,898,314**	**₱12,843,281,476**	**₱41,377,076,277**

2016

	Land	Buildings	Construction in Progress	Total
Cost				
Balance at beginning of year	₱4,472,596,108	₱23,861,030,070	₱7,152,746,660	₱35,486,372,838
Additions	237,892,557	760,857,183	19,236,879,559	20,235,629,299
Transfer (Note 13)	224,352,500	63,187,076	–	287,539,576
Disposals	–	–	–	–
Balance at end of year	4,934,841,165	24,685,074,329	26,389,626,219	56,009,541,713
Accumulated depreciation				
Balance at beginning of year	–	9,143,957,379	–	9,143,957,379
Depreciation (Note 20)	–	735,340,430	–	735,340,430
Disposals	–	–	–	–
Balance at end of year	–	9,879,297,809	–	9,879,297,809
Net Book Value	₱4,934,841,165	₱14,805,776,520	₱26,389,626,219	₱46,130,243,904

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (like buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction in progress (CIP) pertain to buildings under construction to be leased as retail and office spaces upon completion. The remaining CIP in 2017 mainly pertains to the in progress construction of Vertis Tower 2 and 3, MBS Rear Lot BPO, Gateway BPO and Sta. Ana Phase 2.

On November 29, 2017, the Parent Company sold to Orion Land, Inc. (OLI), a subsidiary of Prime Orion Philippines, Inc., the Southpark Mall and BPO in Alabang, Muntinlupa City with a carrying value of ₱3,902.2 million for a consideration of ₱4,283.9 million. The sale pertains only to building.

On December 27, 2017, the Parent Company sold at cost to Makati Cornerstone Leasing Corp., a wholly-owned subsidiary, buildings under construction located at Ayala Triangle Gardens and Sta. Ana Park, A.P. Reyes Ave., Brgy. Carmona, Makati City. The aggregate carrying value of the sold investment properties amounted to ₱9,052.4 million.

On December 28, 2017, the Parent Company sold at cost to Bay City Commercial Ventures Corp., a wholly-owned subsidiary, a mixed-used commercial center which is still under construction located at ASEAN Ave. and Macapagal Boulevard, ASEANA City, Paranaque City. The carrying value of the sold investment properties amounted to ₱5,298.2 million.

On December 28, 2017, the Parent Company sold at cost to Arca South Commercial Ventures Corp., a wholly-owned subsidiary, the Arca South BPO and Mall which is still under construction, located along Arca Boulevard, Arca South, Brgy. Bicutan, Taguig City. The carrying value of the sold investment properties amounted to ₱2,049.0 million.

On December 28, 2017, the Parent Company sold at cost to Capitol Central Commercial Ventures Corp., a wholly-owned subsidiary, a 7-storey commercial mall which is still under construction located along Gatuslao cor. North and South Capitol Roads, Bacolod City. The carrying value of the sold investment property amounted to ₱1,850.2 million.

On October 9, 2017, the Parent Company sold at cost to ATI the Cloverleaf Mall located at A. Bonifacio St., Brgy. Balingasa, Quezon City. The carrying value of the sold investment property amounted to ₱1,661.9 million.

The aggregate fair values of the Parent Company's investment properties amounted to ₱174.8 billion and 173.0 billion as of December 31, 2017, and 2016, respectively.

The fair value of the investment properties was determined by independent professionally qualified appraisers.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table provides the fair value hierarchy of the Parent Company's investment properties as of December 31, 2017 and 2016:

2017

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Land properties	**Various**	**₱124,562,841**	**₱–**	**₱–**	**₱124,562,841**
Retail properties	**Various**	**21,479,066**	**–**	**–**	**21,479,066**
Office properties	**Various**	**28,785,682**	**–**	**–**	**28,785,682**

2016

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active Markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable Inputs (Level 3)
			(In Thousands)		
Land properties	Various	₱123,966,753	₱–	₱–	₱123,966,753
Retail properties	Various	21,097,103	–	–	21,097,103
Office properties	Various	27,719,217	–	–	27,719,217

The values of the land and buildings were arrived at using the Market Data Approach and Cost Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. This valuation approach uses the Depreciated Replacement Cost Method (DRCM). DRCM was used to estimate valuation of the improvement and other plant and equipment assets by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration, functional obsolescence and economic obsolescence.

For Market Data Approach, the higher the price per sqm., the higher the fair value. For Cost Approach, whose unobservable inputs include price information on construction materials, labor and installation and indirect costs, the higher these costs, the higher the fair value.

The significant unobservable inputs to valuation of investment properties ranges from ₱6,617 to ₱30,793 per sqm.

No borrowing costs were capitalized in 2017 and 2016.

Rental income from investment properties amounted to ₱3,842.6 million and ₱3,247.8 million in 2017 and 2016, respectively (see Note 19). Direct operating expenses arising from the investment properties amounted to ₱1,931.7million and ₱1,473.8 million in 2017 and 2016, respectively (see Note 20).

Depreciation expense pertaining to investment properties amounted to ₱791.4 million and ₱735.3 million in 2017 and 2016, respectively (see Note 20).

13. Property and Equipment

The rollforward analysis of this account follows:

2017

	Land, Buildings and Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱771,705,868	₱1,417,576,253	₱454,416,772	₱2,643,698,893
Additions	77,702,807	122,136,509	78,976,994	278,816,310
Disposals	–	–	(84,866,646)	(84,866,646)
Transfers (Note 12)	(8,656,589)	(1,219,969)	–	(9,876,558)
Balance at end of year	840,752,086	1,538,492,793	448,527,120	2,827,771,999
Accumulated depreciation				
Balance at beginning of year	393,813,620	1,164,162,515	317,316,718	1,875,292,853
Depreciation (Note 20)	50,715,101	85,881,379	62,550,535	199,147,015
Transfers (Note 12)	(1,755,062)	(698,078)	–	(2,453,140)
Disposals	–	–	(73,203,896)	(73,203,896)
Balance at end of year	442,773,659	1,249,345,816	306,663,357	1,998,782,832
Net Book Value	₱397,978,427	₱289,146,977	₱141,863,763	₱828,989,167

2016

	Land, Buildings and Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱885,814,239	₱1,349,680,611	₱450,790,304	₱2,686,285,154
Additions	127,149,637	114,177,210	63,799,024	305,125,871
Disposals	–	–	(60,172,556)	(60,172,556)
Transfers (Note 12)	(241,258,008)	(46,281,568)	–	(287,539,576)
Balance at end of year	771,705,868	1,417,576,253	454,416,772	2,643,698,893
Accumulated depreciation				
Balance at beginning of year	337,647,184	1,072,742,096	312,419,063	1,722,808,343
Depreciation (Note 20)	56,166,436	91,420,419	62,348,510	209,935,365
Disposals	–	–	(57,450,855)	(57,450,855)
Balance at end of year	393,813,620	1,164,162,515	317,316,718	1,875,292,853
Net Book Value	₱377,892,248	₱253,413,738	₱137,100,054	₱768,406,040

In 2017 and 2016, the gain on sale of Property plant and equipment amounted to ₱34.8 million and ₱21.74 million, respectively, included under “Other income” in the parent company statements of income (see Note 20).

Depreciation of property and equipment included in the general and administrative expenses amounted to ₱199.1 million and ₱209.9 million in 2017 and 2016, respectively (see Note 20).

14. Other Noncurrent Assets

Other noncurrent assets totaling ₱2,105.96 million and ₱3,125.85 million as of December 31, 2017 and 2016, respectively, consist of deferred charges, deposits, project costs, and other assets.

15. Accounts and Other Payables

This account consists of:

	2017	2016
Accounts payable	**₱29,039,835,773**	₱38,195,508,968
Payable to related parties (Note 23)	**11,637,100,944**	13,855,282,835
Accrued Expenses		
Salaries and employee benefits	**4,217,910,395**	4,001,530,307
Project costs	**1,930,230,638**	1,728,442,376
Professional and management fees	**1,422,148,520**	1,033,258,468
Utilities	**1,101,542,206**	1,087,575,709
Advertising and promotions	**835,220,522**	695,266,101
Commissions	**640,370,936**	439,155,318
Repairs and maintenance	**482,138,379**	461,340,947
Representation	**360,964,801**	352,101,132
Rentals	**174,902,491**	102,037,096
Others	**155,582,230**	241,135,857
Taxes payable	**6,478,288,391**	5,441,064,207
Deposits	**3,398,240,297**	4,442,842,951
Interest payable	**1,430,591,994**	1,296,115,960
Liability for purchased land	**365,918,661**	365,918,661
	₱63,670,987,178	₱73,738,576,893

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within 15-60 days. Other payables are noninterest-bearing and are normally settled within one year.

Accrued project cost are expenses related to materials, overhead and subcontractor cost not yet billed by the contractor.

Taxes payable pertain to statutory liabilities for expanded withholding tax, withholding tax on compensation, final tax and fringe benefit tax.

Deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

Other accrued expenses consist mainly of transportation and travel, janitorial and security, postal and communication, insurance and supplies.

16. **Short-term and Long-term Debt**

The short-term debt of ₱16,991.4 million and ₱18,682.2 million as of December 31, 2017 and 2016, respectively, represents peso-denominated bank loans.

In compliance with BSP rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱6,734.2 million and ₱5,489.5 million as of December 31, 2017 and 2016 are secured by a real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to ₱3,121.3 million and ₱2,982.4 million as of December 31, 2017 and 2016, respectively which is accounted as part of the "Investment properties" account.

Peso-denominated short term loans had a weighted average cost of 2.64% and 2.62% per annum in 2017 and 2016.

Long-term debt consists of:

	2017	2016
Bonds:		
Due 2019	**₱12,340,950,000**	₱12,350,000,000
Due 2020	**4,000,000,000**	4,000,000,000
Due 2022	**12,650,000,000**	12,650,000,000
Due 2023	**7,000,000,000**	7,000,000,000
Due 2024	**15,000,000,000**	15,000,000,000
Due 2025	**15,000,000,000**	15,000,000,000
Due 2026	**8,000,000,000**	8,000,000,000
Due 2027	**7,000,000,000**	–
Due 2033	**2,000,000,000**	2,000,000,000
Short-dated notes	**7,400,000,000**	–
Fixed rate corporate notes (FXCNs)	**9,064,000,000**	9,157,000,000
Php - denominated long term loan	**24,873,145,313**	15,190,739,063
US Dollar - denominated long term loan	**1,516,623,750**	1,957,725,000
	125,844,719,063	102,305,464,063
Less unamortized transaction costs	**601,822,882**	569,960,791
	125,242,896,181	101,735,503,272
Less current portion	**971,190,276**	865,531,750
	₱124,271,705,905	₱100,869,971,522

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term (Years)	Interest rate	Principal Amount	Carrying Value 2017	2016	Features
2012	7.0	5.6250%	₱9,350,000,000	**₱9,330,125,932**	₱9,319,055,466	Fixed rate bond due 2019
2012	10.0	6.0000%	5,650,000,000	**5,637,990,537**	5,631,300,897	Fixed rate bond due 2022
2013	7.0	4.6250%	4,000,000,000	**3,984,041,328**	3,978,793,796	Fixed rate bond due 2020
2013	20.0	6.0000%	2,000,000,000	**1,983,989,711**	1,983,402,881	Fixed rate bond due 2033
2013	10.5	5.0000%	15,000,000,000	**14,910,133,377**	14,897,860,364	Fixed rate bond due 2024
2014	11.0	5.6250%	8,000,000,000	**7,938,922,633**	7,932,515,768	Fixed rate bond due 2025
2015	7.0	4.5000%	7,000,000,000	**6,953,043,125**	6,945,686,975	Fixed rate bond due 2022
2016	9.5	4.7500%	7,000,000,000	**6,943,374,833**	6,937,613,277	Fixed rate bond due 2025
2016	10.0	4.8500%	8,000,000,000	**7,932,643,298**	7,926,123,255	Fixed rate bond due 2026
2016	3.0	3.0000%	2,990,950,000	**2,969,107,726**	2,967,243,257	Homestarter Bond due 2019
2016	7.0	3.8915%	7,000,000,000	**6,943,949,082**	6,935,625,414	Fixed rate bond due 2023
2017	10.0	5.2624%	7,000,000,000	**6,966,801,225**	–	Fixed rate bond due 2027
Total				**₱82,494,122,807**	₱75,455,221,350	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company's 2017 bond issue "PRS Aaa" with a stable outlook, and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds

Philippine Peso 21-month Note due 2019
In July 2017, the Parent Company issued and listed on the Philippine Dealing & Exchange Corp. a ₱4,300.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 2.75% p.a. The Corporate Notes will mature in April 2019.

Philippine Peso 15-month Note due 2019
In November 2017, the Parent Company issued and listed on the Philippine Dealing & Exchange Corp. a ₱3,100.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 3.25% p.a. The Corporate Notes will mature in February 2019.

Philippine Peso 5-, 10-, 15-Year FXCN due in 2016, 2021 and 2026
In January 2011, the Parent Company issued ₱10,000.0 million FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.6% to 7.5% p.a. depending on the term of the notes. The Parent Company prepaid ₱1,950.0 million of notes due in 2016 on January 19, 2013. In 2014, the Parent Company paid ₱43.0 million for the matured portion of the loan. In January 2016, the Parent Company paid ₱3,750 million notes for the matured portion of the loan. In 2017, the Parent Company paid ₱43.0 million for the matured portion of the loan. As of December 31, 2017 and 2016, the remaining balance of the FXCN amounted to ₱4,214.0 million and ₱4,257.0 million, respectively.

Philippine Peso 10-year Note due 2022
In December 2012, the Parent Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.5%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In 2015, the ₱50.0 million was prepaid by the Parent Company. In 2016, another ₱50.0 million was prepaid by the Parent Company. In 2017, the Parent Company paid another ₱50.0 million. As of December 31, 2017 and 2016, the remaining balance of the note amounted to ₱4,850.0 million and ₱4,900.0 million, respectively.

Peso-denominated Long-term Loans
In August to September 2015, the Parent Company assumed an aggregate of ₱15,442.3 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.7% p.a. and terms ranging from 4.4 years to 10.5 years. In 2016, the Parent Company paid ₱251.6 million. During 2017, the Parent Company also paid ₱317.6 million for its current portion Peso-denominated loans. In March 2017, the Parent Company executed a ₱10,000.0 million long-term facility with a domestic bank, of which the Parent Company had simultaneously drawn an initial ₱5,000.0 million. The loan carries a fixed interest rate of 4.949% p.a. and a term of 10 years. The balance of facility of ₱5,000.0 million was drawn in April 2017. As of December 31, 2017 and 2016, remaining balance of the Peso-denominated long-term loans amounted to ₱24,873.1 million and ₱15,190.7 million, respectively.

US Dollar-denominated Long-term Loans
In October 2012, the Parent Company executed and had fully withdrawn a US$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014 and October 2015, the Parent Company made partial prepayments on the loan in the amount of US$5.8 million and US$12.8 million, respectively. Subsequently in March 2016, a US$30.0 million long-term facility was assigned by ALI Makati Hotel Property, Inc. to the Parent Company. The assigned loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly and had a remaining term of 3 years and 4 months from the time of assignment.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Parent Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Parent Company as of December 31, 2017 and 2016.

Transaction costs capitalized amounted to ₱129.8 million and ₱242.4 million in 2017 and 2016, respectively. Amortization amounted to ₱97.9 million and ₱60.5 million in 2017 and 2016, respectively and included under “Interest and other financing charges” (see Note 20).

17. Deposits and Other Noncurrent Liabilities

This account consists of:

	2017	2016
Deposits	**₱6,939,509,266**	₱6,390,192,210
Retentions payable	**474,592,155**	442,026,593
Subscriptions payable	**25,875,052**	4,244,625,052
Liability for purchased land	**–**	365,918,661
Others	**287,747,951**	290,260,227
	₱7,727,724,424	₱11,733,022,743

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to one (1) to three (3) months’ rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Parent Company for the processing of title are charged to this account.

Retentions payable pertain to retentions from the contractors' progress billings which will be released after the expiration of the project's warranty period. The retention serves as a security from the contractor should there be defects in the project.

Subscription payable mainly pertains to the Parent Company's subscription payable to its subsidiaries. During the year, the Parent Company paid its subscriptions payable to POPI amounting to ₱4,218.7 million in exchange of the latter's 1,875.0 million shares with ₱2.25 subscription price per share.

18. Equity

The details of the number of shares follow:

December 31, 2017

	Number of Shares		Amount	
	Preferred	**Common**	**Preferred**	**Common**
Authorized	**15,000,000,000**	**20,000,000,000**	**₱1,500,000,000**	**₱20,000,000,000**
Issued	**13,066,494,760**	**14,606,355,313**	**₱1,306,649,476**	**₱14,606,355,313**
Subscribed	**–**	**118,592,245**	**–**	**118,592,245**
Outstanding	**13,066,494,760**	**14,724,947,558**	**₱1,306,649,476**	**₱14,724,947,558**

December 31, 2016

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
Authorized	15,000,000,000	20,000,000,000	₱1,500,000,000	₱20,000,000,000
Issued	13,066,494,760	14,597,262,520	₱1,306,649,476	₱14,597,262,520
Subscribed	–	115,420,068	–	115,420,068
Outstanding	13,066,494,760	14,712,682,588	₱1,306,649,476	₱14,712,682,588

Preferred Shares (₱0.10 par value per share)
The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

i. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of ₱0.10.
ii. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
iii. Increase in authorized capital stock by ₱1,300.0 million creating new voting preferred shares and a stock rights offer of 1,300 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.75% per annum, equivalent to 90% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and
b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

As of December 31, 2017, the Parent Company's authorized and outstanding preferred shares amounted to ₱1,500.0 million and ₱1,306.6 million, respectively.

Common Shares (₱1.00 par value per share)

On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward of the outstanding number of common shares follows:

	2017	2016
At beginning of year	**14,712,682,588**	14,695,631,367
Additional subscriptions	**12,264,970**	17,051,221
At end of year	**14,724,947,558**	14,712,682,588

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Parent Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On January 9, 2015, the Executive Committee of the Parent Company approved a top-up placement of 484,848,500 common shares of the Parent Company at a price of ₱33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Parent Company. The Parent Company completed the placement on Janaury 12, 2015, raising an aggregate of ₱16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱194.0 million.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Parent Company to certain qualified third party buyers or investors at ₱30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of ₱12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Parent Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of ₱20 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of ₱13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1.0 billion common shares of stock of the Parent Company with an aggregate par value of ₱1,000 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Parent Company launched its Initial Public Offering where a total of 400 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Parent Company has 9,209 and 9,362 existing certified shareholders as of December 31, 2017 and 2016, respectively.

Treasury Shares

On August 12, 2008, the BOD approved the creation of a share buyback program. It is part of the Parent Company's financial position management program and aims to: (i) improve the Parent Company's financial position structure and capital efficiency; and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

In 2008, the Parent Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

On July 16, 2012, the Parent Company redeemed the 13.0 billion outstanding non-voting preferred shares through payment of the redemption price of ₱0.10 per share. As of December 31, 2012, the redeemed preferred shares were treated as treasury shares and was subsequently retired upon approval of the Parent Company's SEC application for the decrease in authorized capital stock on January 31, 2013.

The amendment of the Articles of Incorporation on April 17, 2013 allows the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.5 per share resulting to additional paid-in capital of ₱1,601.6 million.

Retained Earnings
The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.48 and ₱0.48 per share in 2017 and 2016, respectively, to all issued and outstanding shares.

On February 20, 2017, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 22, 2017 to the shareholders on record as of March 6, 2017. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 29, 2017 to the shareholders on record as of June 15, 2017.

On August 18, 2017, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.24 per share. The cash dividend was paid out on September 15, 2017 to stockholders of common shares on record as of September 5, 2017.

On February 26, 2016, the BOD approved the declaration of cash dividends amounting to ₱0.24 per outstanding common share and was paid out on March 23, 2016 to the shareholders on record as of March 11, 2016. Further, on the same date, the BOD declared annual cash dividends of 4.8% per year or ₱0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 29, 2016 to the shareholders on record as of June 15, 2016.

On August 18, 2016, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.2380 per share. The cash dividend was paid out on September 16, 2016 to stockholders of common shares as of record date.

Total dividends for common shares declared for 2017 and 2016 amounted to ₱7,065.0 million and ₱6,999.2 million, respectively.

On November 22, 2016, the BOD approved the increase in appropriated Retained Earnings amounting to ₱2,000.0 million which represents a continuing appropriation for land banking activities and planned building construction projects. As of December 31, 2017 and 2016, appropriated retained earnings amounted to ₱8,000.0 million. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments.

The following are among the major capital expenditures of the Parent Company which were approved by the BOD:

a) Ayala Triangle Garden 2 with product offering for a Triple A HQ Office Building, a 5-Star Hotel and 3-level Retail Podium with gardens and civic spaces which was approved by the Board on May 29, 2015. The project was launched in June 2015 and expected to be completed in 2020.

b) Ayala Center Redevelopment which will offer intermodal transport facility, a 5-storey regional mall, 2 BPO towers, a SEDA hotel and a 300-units residential for lease was approved by the Board on November 27, 2015. The project was launched in January 2016 and expected to be completed in 2021.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2017 and 2016 amounted to ₱45,343.5 million and ₱39,123.8 million, respectively.

Capital Management

The primary objective of the Parent Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Parent Company establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Parent Company considers debt as a stable source of funding. The Parent Company lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Parent Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both gross debt and net debt basis. As of December 31, 2017, and 2016, the Parent Company had the following ratios:

	2017	2016
Debt to equity	**120.3%**	110.1%
Net debt to equity	**119.8%**	109.4%

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL. Equity, which the Parent Company considers as capital, pertains to the total equity. The Parent Company excludes the "Net unrealized gain on AFS financial assets" in computing the debt to equity ratio.

The Parent Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2017 and 2016.

Financial risk assessment

The Parent Company's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Parent Company's ratio of fixed to floating rate debt stood at 87:13 and 83:17 as of December 31, 2017, and 2016, respectively. As a result, the movement in the actual average interest (borrowing) rate of the Parent Company has been minimal.

As of December 31, 2017 and 2016, the Parent Company's foreign currency-denominated cash and cash equivalents amounted to US$0.48 million and US$0.58 million, respectively. On the other hand, the Parent Company had a total outstanding foreign currency-denominated debt of US$30.4 million and US$39.4 million, respectively, which were used to partially fund its offshore investments.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Parent Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short-term placement.

19. Real Estate Revenue

This account consists of:

	2017	2016
Land and residential unit sales	**₱31,267,022,204**	₱24,112,224,285
Rental income (Note 12)	**3,842,614,028**	3,247,802,122
Management and marketing fees	**2,092,518,441**	964,812,274
	₱37,202,154,673	₱28,324,838,681

In January 2015, the Parent Company executed a Deed of Assignment with ACCI to assign the Parent Company's contracts of lease, security deposits, construction bonds and trade receivables with merchants occupying the Greenbelt and Glorietta development at the Ayala Center, Makati. ACCI assumed all rights and obligations under the contracts of lease, other contracts, permits and licenses, trade receivables, security deposits and construction bonds (see Note 23 and 29).

20. Costs and Expenses and Other Income (Charges)

Real estate costs and expenses consist of:

	2017	2016
Cost of real estate sales (Note 7)	**₱18,488,556,869**	₱13,536,492,218
Marketing and management fees	**3,111,445,037**	947,628,436
Depreciation (Note 12)	**791,434,966**	735,340,430
Rental	**262,027,844**	206,348,092
Manpower costs	**171,685,229**	126,647,702
Direct operating expenses		
Commissions	**1,001,187,124**	950,624,873
Taxes and licenses	**849,789,305**	700,527,806
Security	**347,559,641**	336,916,207
Repairs and maintenance	**100,236,080**	108,112,794
Insurance	**30,054,043**	25,273,603
Transportation and travel	**25,040,297**	22,785,871
Supplies	**8,027,945**	3,876,552
Others	**393,882,163**	211,401,706
	₱25,580,926,543	₱17,911,976,290

General and administrative expenses consist of:

	2017	2016
Manpower costs (Note 24)	**₱1,530,569,094**	₱1,654,276,848
Professional fees	**386,285,692**	178,869,003
Depreciation (Note 13)	**199,147,015**	209,935,365
Transportation and travel	**53,826,367**	47,920,145
Repairs and maintenance	**52,528,479**	44,209,190
Advertising	**44,479,952**	49,324,097
Utilities	**37,662,469**	37,057,616
Donations and contribution	**34,268,470**	60,087,860
Rentals	**30,134,733**	12,888,484
Entertainment, amusement and recreation	**28,296,723**	28,867,836
Security and janitorial	**14,762,355**	13,654,869
Supplies	**11,644,159**	13,217,028
Others	**38,528,233**	99,401,095
	₱2,462,133,741	₱2,449,709,436

Manpower costs included in the parent company statements of income follow:

	2017	2016
Included in:		
General and administrative expenses	**₱1,530,569,094**	₱1,654,276,848
Real estate costs and expenses	**171,685,229**	126,647,702
	₱1,702,254,323	₱1,780,924,550

Depreciation expense included in the parent company statements of income follow:

	2017	2016
Included in:		
Real estate costs and expenses	**₱791,434,966**	₱735,340,430
General and administrative expenses	**199,147,015**	209,935,365
	₱990,581,981	₱945,275,795

Other expenses consists of:

	2017	2016
Provision for (reversal) of impairment losses and write-offs:		
Land and improvements (Note 10)	**₱572,001,330**	₱–
Inventories (Note 7)	**–**	(225,000,000)
Other noncurrent assets	**(8,944,964)**	–
Investments in subsidiaries, associates and joint ventures (Note 11)	**(36,426,245)**	–
Receivables (Note 6)	**(526,357,037)**	324,748,596
	₱273,084	₱99,748,596

Other income consists of:

	2017	2016
Gain on sale of investment property (Note 12)	**₱381,694,727**	₱–
Gain on sale of investment in subsidiaries, associates and joint ventures (Note 11)	**75,094,450**	–
Gain on sale of property and equipment (Note 13)	**34,784,163**	21,742,881
Gain on sale of land and improvements (Note 10)	**7,259,818**	–
Unrealized gain on financial assets at FVPL (Note 5)	**27,135**	48,843
Others	**1,937,674,666**	77,295,398
	₱2,436,534,959	₱99,087,122

Others mainly consist of event sponsorships and cancelled commissions. It also includes reversal of impairment losses in 2017 amounting to ₱1,298.44 million (see Note 7).

Interest expense and other financing charges consist of:

	2017	2016
Interest expense on:		
Long-term debt	**₱5,692,390,687**	₱4,674,001,723
Short-term debt	**370,078,746**	584,270,957
Other financing charges	**385,632,764**	500,088,683
	₱6,448,102,197	₱5,758,361,363

Other financing charges pertain mainly to transaction costs from availment of short-term loans, availment of intercompany loans and bank charges.

Other charges consist of:

	2017	2016
Net realized/unrealized loss on foreign exchange transactions	**₱4,782,138**	₱193,808,560
Other charges	**–**	10,483,129
	₱4,782,138	₱204,291,689

21. Income Tax

The components of deferred taxes follow:

	2017	2016
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱1,648,169,658**	₱1,610,113,515
Allowance for probable losses	**530,278,353**	809,116,746
Employee benefits	**344,752,604**	324,381,950
Allowance for impairment losses	**50,595,410**	208,502,521
Unrealized foreign exchange loss	**52,794,651**	61,290,996
	2,626,590,676	3,013,405,728
Deferred tax liabilities on capitalized interest	**(447,595,533)**	(496,352,719)
	₱2,178,995,143	₱2,517,053,009

There are no income tax consequences attaching the payment of dividends by the Parent Company to its shareholders.

Provision for income tax consists of:

	2017	2016
Current	**₱1,743,097,434**	₱1,428,466,528
Deferred	**354,873,532**	(384,958,549)
Final	**17,297,460**	10,094,151
	₱2,115,268,426	₱1,053,602,130

Reconciliation between the statutory and the effective income tax rates follows:

	2017	2016
Statutory income tax rate	**30.00%**	30.00%
Tax effects of:		
Interest income and capital gains taxed at lower rates	**(0.13)**	(0.04)
Dividend income	**(17.76)**	(22.91)
Others – net	**(0.18)**	(0.29)
Effective income tax rate	**11.93%**	6.76%

Deferred tax related to remeasurement gain (loss) on defined benefit plans recognized in OCI amounted to ₱3.9 million and (₱32.5) million in 2017 and 2016, respectively.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

22. Parent Company Statement of Cash Flows

Disclosed below is the roll forward of liabilities under financing activities:

	January 1, 2017	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2017
Short-term debt	₱18,682,200,000	(₱1,690,850,000)	₱–	₱–	₱16,991,350,000
Current long-term debt	865,531,750	105,658,526	–	–	971,190,276
Non-current long-term debt	100,869,971,522	23,377,603,133	–	24,131,250	124,271,705,905
Dividends payable	–	(7,127,069,162)	–	–	–
Deposits and other noncurrent liabilities	11,733,022,743	(4,005,298,319)	–	–	7,727,724,424
Total liabilities from financing activities	₱132,150,726,015	₱10,660,044,178	–	₱24,131,250	₱149,961,970,605

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties

In its regular conduct of business, the Parent Company has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing, deposits and placements, borrowings and administrative service agreements.

Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Parent Company transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with Bank of the Philippine Islands (BPI), an associate of AC*:*

   i. As of December 31, 2017 and 2016, the Parent Company maintains current and savings account, money market placements, UITF investments, short-term debt and long-term debt payable with BPI broken down as follows:

	2017	2016
Cash in bank	**₱221,584,978**	₱148,988,810
Cash equivalents	**12,494,856**	57,178,556
Financial assets at FVPL	**1,918,566**	1,891,431
Short-term debt	**5,405,000,000**	3,685,600
Long-term debt	**1,329,194,063**	1,803,939,063

   From the Parent Company's placements with BPI, the Parent Company has accrued interest receivable amounting to ₱0.01 million and ₱0.05 million as of December 31, 2017 and 2016, respectively. Interest income earned amounted to ₱0.36 million in 2017 and ₱2.26 million in 2016.

As of December 31, 2017, and 2016, the Parent Company has an outstanding trust account contribution under BPI Asset Management and Trust Group amounting to ₱1,345.21 million and ₱1,352.76 million, respectively.

ii. As of December 31, 2017 and 2016, the Parent Company has outstanding receivable from and payable to BPI as follows:

	2017	2016
Interest receivable	**₱11,208**	₱47,310
Interest payable	**27,784,269**	7,058,800

iii. Income earned and expenses incurred with BPI are as follows:

	2017	2016
Interest income	**₱356,890**	₱2,262,423
Interest expense	**101,236,007**	116,821,744

b. Outstanding balances with parent company, subsidiaries, associates, joint ventures and other related parties (entities under common control)

Receivables from/payables to related parties pertain mostly to development and management fees, advances and reimbursements of operating expenses related to development cost, working capital requirements and land acquisitions which are due and demandable.

Receivables from related parties follow:

2017

	Current	**Noncurrent**	**Total**
Parent Company	**₱98,815,570**	**₱–**	**₱98,815,570**
Subsidiaries	**38,883,876,466**	–	**38,883,876,466**
Associates	**5,479,584**	**–**	**5,479,584**
Joint Ventures	**1,599,380**	–	**1,599,380**
Other related parties	**614,978,149**	–	**614,978,149**
	₱39,604,749,149	**₱–**	**₱39,604,749,149**

2016

	Current	Noncurrent	Total
Parent Company	₱95,463,949	₱–	₱95,463,949
Subsidiaries	31,555,205,630	–	31,555,205,630
Associates	6,296,711	–	6,296,711
Joint Ventures	1,061,035	–	1,061,035
Other related parties	578,482,493	–	578,482,493
	₱32,236,509,818	₱–	₱32,236,509,818

Payable to related parties follow:

2017

	Current	**Noncurrent**	**Total**
Parent Company	**₱72,206,977**	**₱–**	**₱72,206,977**
Subsidiaries	**11,028,777,419**	**100,936,666**	**11,129,714,085**
Associates	**211,892,890**	**–**	**211,892,890**
Joint Ventures	**69,318**	**–**	**69,318**
Other related parties	**324,154,340**	**–**	**324,154,340**
	₱11,637,100,944	**₱100,936,666**	**₱11,738,037,610**

2016

	Current	Noncurrent	Total
Parent Company	₱72,130,332	₱–	₱72,130,332
Subsidiaries	13,244,936,422	100,936,666	13,345,873,088
Associates	211,892,890	–	211,892,890
Other related parties	326,323,191	–	326,323,191
	₱13,855,282,835	₱100,936,666	₱13,956,219,501

During 2017 and 2016, payables to related parties include a noncurrent liability pertaining to advances from Allysonia International, Inc amounting to ₱100.94 million.

c. Revenue and expenses from related parties

The revenue from parent company, subsidiaries, associates, joint ventures and other related parties pertains mostly to income from leasing and development projects, dividend income, marketing and management fees, while expenses composed of marketing and management fees, commission, and training expenses. Transactions are settled within one year, except as otherwise stated.

Revenue and expenses from related parties follow:

Revenue

2017

	Dividend Income	Management and Marketing Income	Rental Income	Interest Income	Total
Parent Company	**₱–**	**₱–**	**₱2,430,077**	**₱–**	**₱2,430,077**
Subsidiaries	**9,955,024,375**	**2,073,742,559**	**1,052,542,558**	**377,923,445**	**13,459,232,937**
Joint Ventures	**500,000,000**	**18,000,071**	**–**	**–**	**518,000,071**
Associates	**40,109,575**	**–**	**5,153,068**	**–**	**45,262,643**
Total	**₱10,495,133,950**	**₱2,091,742,630**	**₱1,060,125,703**	**₱377,923,445**	**₱14,024,925,728**

2016

	Dividend Income	Management and Marketing Income	Rental Income	Interest Income	Total
Subsidiaries	₱11,651,384,311	₱910,465,293	₱563,400,389	₱403,500,711	₱13,528,750,704
Joint Ventures	200,000,000	17,675,517	–	–	217,675,517
Associates	40,148,619	16,692,580	–	–	56,841,199
Total	₱11,891,532,930	₱944,833,390	₱563,400,389	₱403,500,711	₱13,803,267,420

Costs and expenses

2017

	Rental Expenses	Management and Marketing Fees	Commission Expenses	Interest Expense	Total
Parent Company	**₱–**	**₱5,998**	**₱–**	**₱–**	**₱5,998**
Subsidiaries	**18,965,265**	**1,231,835,920**	**51,168,607**	**22,486,898**	**1,324,456,690**
Associates	**–**	**210,000**	**–**	**–**	**210,000**
Total	**₱18,965,265**	**₱1,283,220,525**	**₱51,168,607**	**22,486,898**	**₱1,324,672,688**

2016

	Rental Expenses	Management and Marketing Fees	Commission Expenses	Interest Expense	Total
Parent Company	₱–	₱175,000	₱–	₱–	₱175,000
Subsidiaries	4,253,560	516,171,916	5,248,876	22,497,523	548,171,875
Associates	–	–	–	–	–
Total	₱4,253,560	₱516,346,916	₱5,248,876	₱22,497,523	₱548,346,875

The following describes the nature of the material transactions of the Parent Company with related parties as of December 31, 2017, and 2016:

i. During 2015, the Parent Company purchased land from API and VPHI for the Soliento (K5), Riomonte (K6), and Cerilo (K7) projects. During 2017, payments were made amounting to ₱32.1 million to API and ₱1,373.6 million to VPHI which includes the final payment for the Riomonte (K6) project of ₱375.6M.

ii. During the year, Parent Company lent to and borrowed funds from various subsidiaries and affiliates on an interest bearing basis. Outstanding intercompany peso-denominated loans of the Parent Company to subsidiaries and affiliates amounted to ₱5,854.7 million and ₱1,310.5 million as of December 31, 2017 and 2016, respectively. Interest rates ranges from 3.00% to 3.45% and 2.27% to 2.65% per annum for 2017 and 2016, respectively, with terms of 1 day up to 90 days.

iii. Receivables from AHI mainly pertain to the sale of a parcel of land by the Parent Company for the Park Central Project amounting to ₱877.04 million in 2016.

iv. In 2016, the Parent Company provided fund infusions to Southgateway Development Corp. for various billings amounting to ₱427.42 million.

v. Advances made to North Triangle Hotel Ventures, Inc. in 2016 amounted to ₱90.5 million in connection of the Seda Vertis project.

vi. The Parent Company settled in 2016 the payable set up for the additional investments made to RWIL in connection with MCT amounting to ₱3.4 billion during 2015.

vii. Receivables from/payables to MDC pertain to advances and retentions in relation to construction contracts involving the Parent Company's real estate projects, with MDC being the primary contractor.

viii. Transaction with APMC pertain to agreements to administer properties of the Parent Company for stipulated fees. Under this agreement, APMC shall manage, maintain, preserve and provide services for the efficient use of such properties. Further, APMC leases its carpark facilities (Ayala Center Carparks and Central Business District Carparks) under lease agreements with the Parent Company. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of net operating income, whichever is higher. The lease agreements are renewed annually upon mutual agreement of the parties. Aside from the property management services provided by APMC and the leases discussed above, transactions with the Parent Company include noninterest-bearing advances and reimbursements of expenses incurred in connection with the maintenance of the administered properties.

ix. Receivable from ALISI pertains to lease agreement with the Parent Company for office and parking spaces.

x. Receivables from Alveo pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related.

xi. On January 1, 2015, the Parent Company and ACCI entered into a lease contract for the lease of parcels of land and buildings within the Greenbelt and Glorietta development located at the Ayala Center, Makati City. The lease shall be for a period of two years from January 1, 2015 until December 31, 2016, renewable for another two years upon the written agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month.

In consideration of the lease, the Parent Company and ACCI executed a Deed of Assignment wherein, the Parent Company assigned to ACCI contracts of lease, security deposits, construction bonds and trade receivables with merchants occupying said development. ACCI assumed all rights and obligations under the contracts of lease, other contracts, permits and licenses, trade receivables, security deposits and construction bonds.

The lease contract between ACCI and Parent Company has been renewed for five (5) years covering the period January 1, 2017 to December 31, 2021. Please refer to Notes 19 and 29.

xii. On November 29, 2017, the Parent Company sold to OLI the Southpark Mall and BPO in Alabang, Muntinlupa City for a gain of ₱381.7 million. Subsequently, the Parent Company assigned to OLI its Lease Agreement with Avida Land Corp. for the lease on the parcel of land where the buildings were constructed. Please refer to Notes 12 and 29.

xiii. On December 27, 2017, the Parent Company sold at cost to MCLC buildings under construction located at Ayala Triangle Gardens and Sta. Ana Park, A.P. Reyes Ave., Brgy. Carmona, Makati City. Subsequently, the Parent Company signed a lease agreement with MCLC for the lease on the parcels of land it owns where the buildings were constructed. Please refer to Notes 12 and 29.

xiv. On December 28, 2017, the Parent Company sold at cost to CCCVC a 7-storey commercial mall which is still under construction. Subsequently, the Parent Company assigned to CCCVC its Lease Agreement with the Province of Negros Occidental for the lease on a parcel of land where the buildings were constructed. Please refer to Notes 12 and 29.

xv. On December 28, 2017, the Parent Company sold at cost to BCCVC a mixed-used commercial center which is still under construction. Subsequently, the Parent Company assigned to BCCVC its Lease Agreement with D.M. Wenceslao & Associates for the lease on several parcels of land where the buildings were constructed. Please refer to Notes 12 and 29.

xvi. On December 28, 2017, the Parent Company sold at cost to ASCVC, the Arca South BPO and Mall which is still under construction. Subsequently, the Parent Company signed a lease agreement with ASCVC for the lease on the parcels of land it owns where the buildings were constructed. Please refer to Notes 12 and 29.

xvii. In 2017, the Parent Company sold a property to ALI ETON Property Development Corporation located in Quezon City amounting to ₱708.56 million.

xviii. In 2017, the Parent Company made advances to ALI Cap for infusion to Airswift amounting to ₱217.5 million.

d. Notes receivable pertains to housing, car, salary and other loans granted to the Parent Company's officers and employees which are collectible through salary deduction and have various maturity dates ranging from 2015 to 2032 (see Note 6).

e. Compensation of key management personnel by benefit type follows:

	2017	2016
Short-term employee benefits	**₱129,686,100**	₱129,979,500
Post-employment benefits	**11,622,450**	15,496,600
	₱141,308,550	₱145,476,100

There are no agreements between the Parent Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's retirement plan.

24. Retirement Plan

The Parent Company has funded, noncontributory tax-qualified defined benefit type of retirement plan (the Plan) covering substantially all of its employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Parent Company's fund is in the form of a trust fund being maintained by BPI Asset Management and Trust Group (the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The components of pension expense (included in "Manpower costs" under "General and administrative expenses") in the parent company statements of income follow:

	2017	2016
Current service cost	**₱179,382,900**	₱199,439,690
Net interest cost on benefit obligation	**61,190,800**	55,628,922
Total pension expense	**₱240,573,700**	₱255,068,612

The remeasurement effects recognized in other comprehensive income (loss) in the parent company statements of comprehensive income follow:

	2017	2016
Return (gain) loss on plan assets (excluding amount included in net interest)	**₱7,993,700**	₱41,617,293
Actuarial loss (gain) due to liability experience	**97,022,600**	(78,500,716)
Actuarial loss (gain) due to liability assumption changes – economic	**(91,775,100)**	(71,514,586)
Remeasurements in other comprehensive income	**₱13,241,200**	(₱108,398,009)

The funded status and amounts recognized in the parent company statements of financial position for the pension plan as of December 31, 2017, and 2016 follow:

	2017	2016
Benefit obligation	**₱2,557,704,592**	₱2,503,563,392
Plan assets	**(1,345,210,989)**	(1,352,757,589)
Net pension liability	**₱1,212,493,603**	₱1,150,805,803

Changes in net pension liability are as follows:

	January 1, 2017	Net benefit cost in parent company statement of income: Current service cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets*	Actuarial (gain) loss due to liability experience	Actuarial (gain) loss due to liability assumption changes - economic	Net remeasurement loss	Contribution by employer	Transfer in /(out)	December 31, 2017
Present value of defined benefit obligation	**₱2,503,563,392**	**₱179,382,900**	**₱128,283,300**	**₱307,666,200**	**(₱258,772,500)**	**₱–**	**₱97,022,600**	**(₱91,775,100)**	**₱5,247,500**	**₱–**	**₱–**	**₱2,557,704,592**
Fair value of plan assets	**(1,352,757,589)**	**–**	**(67,092,500)**	**(67,092,500)**	**254,645,400**	**7,993,700**	**–**	**–**	**7,993,700**	**(188,000,000)**	**–**	**(1,345,210,989)**
Net defined benefit liability (asset)	**₱1,150,805,803**	**₱179,382,900**	**₱61,190,800**	**₱240,573,700**	**(₱4,127,100)**	**₱7,993,700**	**₱97,022,600**	**(₱91,775,100)**	**₱13,241,200**	**(₱188,000,000)**	**₱–**	**₱1,212,493,603**

**excluding amount included in net interest*

Changes in net pension liability in 2016 are as follows:

	January 1, 2016	Net benefit cost in parent company statement of income: Current service cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets*	Actuarial (gain) loss due to liability experience	Actuarial (gain) loss due to liability assumption changes - economic	Net remeasurement loss	Contribution by employer	Transfer in /(out)	December 31, 2016
Present value of defined benefit obligation	₱2,575,711,200	₱199,439,690	₱122,346,282	₱321,785,972	(₱243,918,478)	₱–	(₱78,500,716)	(₱71,514,586)	(₱150,015,302)	₱–	₱–	₱2,503,563,392
Fair value of plan assets	(1,404,576,000)	–	(66,717,360)	(66,717,360)	243,918,478	41,617,293	–	–	41,617,293	(167,000,000)	–	(1,352,757,589)
Net defined benefit liability (asset)	₱1,171,135,200	₱199,439,690	₱55,628,922	₱255,068,612	₱–	₱41,617,293	(₱78,500,716)	(₱71,514,586)	(₱108,398,009)	(₱167,000,000)	₱–	₱1,150,805,803

**excluding amount included in net interest*

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2017	2016
Cash and cash equivalents	**₱8,823,586**	₱73,156,296
Equity investments		
Unit investment trust funds	**110,236,635**	119,288,000
Holding firms	**59,372,809**	165,052,327
Financials	**38,604,718**	24,931,255
Property	**33,064,102**	17,269,345
Industrials	**15,816,575**	56,649,489
Services	**10,650,256**	16,885,463
Mining and Oil	**10,304**	–
	267,755,399	400,075,879
Debt investments		
Government securities	**252,860,530**	201,131,881
AAA rated debt securities	**464,973,407**	467,632,693
Not rated debt securities	**-**	8,103,846
Others	**350,449,243**	180,004,022
	1,068,283,180	856,872,442
Other assets	**348,824**	22,652,972
	₱1,345,210,989	₱1,352,757,589

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history.

The Parent Company expects to make contributions of ₱358.83 million to its retirement fund in 2018.

The allocation of the fair value of plan assets follows:

	2017	2016
Investments in debt securities	**79.63%**	63.34%
Investments in equity securities	**19.70**	29.57
Others	**0.67**	7.09

Funds invested in debt securities include government securities, corporate notes and bonds, and special deposit accounts. Investments in equity securities consist of investments in PSE-listed stocks and equity securities held by unit investment trust funds. Others were in the form of cash and cash equivalents.

The Parent Company's transactions with the Fund mainly pertain to contributions, benefit payments and settlements.

The plan assets include shares of stock of the Parent Company with fair value amounting to ₱17.7 million and ₱13.2 million as of December 31, 2017, and 2016, respectively. It also includes shares of stocks of related parties within the Ayala Group with fair value amounting to ₱49.2 million and ₱143.7 million as of December 31, 2017 and 2016, respectively. The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company amounting to ₱74.2 million and ₱74.3 million as of December 31, 2017, and 2016, respectively. The gain of the fund arising from investments in debt and equity securities of the Parent Company amounted to ₱0.01 million in 2017 and a loss of ₱1.9 million in 2016, respectively.

The cost of defined benefit pension plans as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension obligations for the defined benefit plans are shown below:

	2017	2016
Discount rate	**5.50%**	5.00%
Future salary increases	**6.00**	7.00

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2017

	Effect on Defined Benefit Obligation Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis Points**
Discount rate	**(156,787,291)**	**175,714,305**
Salary increase rate	**171,366,208**	**(156,019,980)**

2016

	Effect on Defined Benefit Obligation Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis Points
Discount rate	(₱238,116,211)	₱314,236,714
Salary increase rate	292,309,262	(228,932,590)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	**2017**	2016
1 year and less	**235,330,500**	85,193,868
More than 1 year to 5 years	**1,496,668,800**	379,417,343
More than 5 years to 10 years	**1,476,075,400**	1,503,031,076

The average duration of the defined benefit obligation as at December 31, 2017 and 2016 is 7.1 years and 17 years, respectively.

25. Earnings Per Share

The following tables present information necessary to compute EPS:

	2017	2016
Net income attributable to equity holders of Ayala Land, Inc.	**₱15,612,442,250**	₱14,520,941,501
Dividends on preferred stock	**(62,037,888)**	(62,037,888)
Net income attributable to equity holders of the Parent for basic and diluted earnings per share	**₱15,550,404,362**	₱14,458,903,613
Weighted average number of common shares for basic EPS	**14,721,881,314**	14,588,347,279
Dilutive shares arising from stock options	**66,996,707**	1,195,837
Adjusted weighted average number of common shares for diluted EPS	**14,788,878,021**	14,589,543,116
Basic EPS	**₱1.06**	₱0.99
Diluted EPS	**₱1.06**	₱0.99

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10^{th} year from the issue date which was in 2012. This has an antidilutive effect on the computation of diluted EPS.

26. Stock Options and Ownership Plans

The Parent Company has an Employee Stock Ownership (ESOWN) Plan covering 2.5% of the Parent Company's authorized capital stock. The grantees are selected based on the criteria for eligibility stated in the ESOWN Plan.

In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN and granted to qualified officers wherein grantees may subscribe in whole or in part the shares awarded to them based on a discounted market price that was determined by the Personnel Compensation Committee as the offer price set at grant date. The grantees paid for the subscribed shares through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the plan are subject to the Parent Company's Right to Repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. This model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk-free rate.

For unsubscribed shares, the grantee was given the option to subscribe within seven years except for 2017 ESOWN grant. The fair value of these options are estimated on the date of grant using the Black-Scholes-Merton Formula. This formula uses current stock prices, expected dividends, the option's strike price, expected interest rates, time to expiration and expected volatility to arrive at the option value.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2017	**WAEP**	2016	WAEP
Balance at beginning of year	**7,135,513**	**₱19.95**	8,734,420	₱16.96
Granted	**11,420,517**	**–**	15,182,203	–
Subscribed	**(10,424,599)**	**26.65**	(17,051,221)	24.11
Availment	**2,768,790**	**–**	678,086	–
Cancelled	**(1,953,912)**	**–**	(407,975)	–
Balance at end of year	**8,946,309**	**₱19.47**	7,135,513	₱19.95

The fair value of stock options granted is estimated on the date of grant using the Binomial Tree Model (BTM) and Black-Scholes-Merton (BSM) Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follows:

	Grant Date						
	March 01, 2017	April 05, 2016	March 20, 2015	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011
Number of unsubscribed shares	–	181,304	–	1,369,887	1,713,868	3,967,302	3,843,057
Fair value of each option (BTM)	₱8.48	₱13.61	₱16.03	₱12.60	₱16.05	₱9.48	₱7.81
Fair value of each option (BSM)	₱–	₱18.21	₱20.63	₱12.16	₱11.85	₱6.23	₱7.27
Weighted average share price	₱39.72	₱35.58	₱36.53	₱31.46	₱30.00	₱21.98	₱15.5
Exercise price	₱27.68	₱26.27	₱29.58	₱22.55	₱21.45	₱14.69	₱13.2
Expected volatility	30.95%	32.03%	31.99%	33.50%	36.25%	33.00%	36.25%
Dividend yield	1.34%	1.27%	1.02%	1.42%	1.93%	0.9%	1.01%
Interest rate	4.41%	4.75%	4.11%	3.13%	2.78%	5.70%	5.60%

Total expense (included under "General and administrative expenses") recognized in the 2017 and 2016 Parent Company statements of income arising from share-based payments amounted to ₱153.8 million and ₱208.3 million, respectively.

Subscriptions receivable from the stock option plans covering the Parent Company's shares are presented under equity.

27. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Parent Company's financial assets and liabilities recognized as of December 31, 2017, and 2016:

	2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Trade residential development	**₱30,778,465,117**	**₱28,598,338,603**	₱21,235,737,152	₱22,710,054,565
Receivable from employees	**203,392,990**	**203,407,985**	180,657,613	180,994,098
	30,981,858,107	**28,801,746,588**	21,416,394,765	22,891,048,663
Other Financial Liabilities				
Long-term debt	**125,242,896,181**	**135,226,858,282**	101,735,503,272	116,603,239,956
Deposits and other noncurrent liabilities	**7,727,724,424**	**7,756,008,339**	11,733,022,743	12,782,892,247
	₱132,970,620,605	**₱142,982,866,621**	₱113,468,526,015	₱129,386,132,203

The methods and assumptions used by the Parent Company in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, current trade receivables, receivable from related parties, dividend receivable and interest receivable - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

Financial assets at FVPL - These are investments in UITF. Fair value is based on net asset values as of reporting dates.

AFS quoted equity and debt securities - Fair values are based on quoted prices as of ;reporting dates.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Receivable from residential accounts - The fair values of residential accounts are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 1.82% to 6.70% and 1.50% to 6.39% as of December 31, 2017 and 2016.

Receivable from employees – Fair values are based on discounted value of future cash flows using applicable rates for similar types of instruments. The discount rates used ranged from 2.43% to 5.70% and 1.89% to 5.37% as of December 31, 2017, and 2016, respectively.

Accounts and other payables, and current portion of long-term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

Long-term debt and deposits and other noncurrent liabilities - The fair value of noncurrent unquoted instruments are estimated using the discounted cash flow methodology using the Parent Company's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 3.93% to 7.20% and 1.50% to 6.88% as of December 31, 2017, and 2016, respectively.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fairvalue are observable in the market, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Parent Company categorizes trade residential development receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted AFS financial assets amounting to ₱52.0 million and ₱36.2 million as of December 31, 2017 and 2016, respectively, were classified under the Level 2 category.

Unquoted AFS financial assets amounting to ₱165.7 million and ₱164.2 million as of December 31, 2017 and 2016, respectively were classified under Level 3 (see Note 9).

There have been no reclassifications from Level 1 to Level 2 categories.

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, financial assets at FVPL, AFS quoted and unquoted equity securities, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Parent Company's operations. The Parent Company has various financial assets such as cash and cash equivalents, financial assets at FVPL, AFS financial assets, trade receivables and payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, foreign currency risks and equity price arise in the normal course of the Parent Company's business activities. The main objectives of the Parent Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Parent Company's financial risk exposures. It is the Parent Company's policy not to enter into derivative transactions for speculative purposes.

The Parent Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Parent Company.

There were no changes in the Parent Company's financial risk management objectives and policies in 2017 and 2016.

Liquidity risk

Liquidity risk is defined by the Parent Company as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Parent Company that make it difficult for the Parent Company to raise the necessary funds or that forces the Parent Company to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Parent Company employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Parent Company has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Parent Company ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Parent Company's financial liabilities at December 31, 2017 and 2016 based on contractual undiscounted payments:

December 31, 2017

	< 1 year	**1 to < 5 years**	**> 5 years**	**Total**
Accounts and other payables	**₱55,762,106,793**	**₱–**	**₱–**	**₱55,762,106,793**
Short-term debt	**16,991,350,000**	**–**	**–**	**16,991,350,000**
Long-term debt	**971,190,276**	**45,981,609,852**	**78,891,918,935**	**125,844,719,063**
Deposits and other noncurrent liabilities	**–**	**7,727,724,424**	**–**	**7,727,724,424**
	₱73,724,647,069	**₱53,709,334,276**	**₱78,891,918,935**	**₱206,325,900,280**
Interest payable	**₱4,866,829,683**	**₱20,095,924,263**	**₱11,320,315,530**	**₱36,283,069,476**

December 31, 2016

	< 1 year	1 to < 5 years	> 5 years	Total
Accounts and other payables	₱67,001,396,726	₱–	₱–	₱67,001,396,726
Short-term debt	18,682,200,000	–	–	18,682,200,000
Long-term debt	865,531,750	31,617,320,750	69,822,611,563	102,305,464,063
Deposits and other noncurrent liabilities	–	11,733,022,743	–	11,733,022,743
	₱86,549,128,476	₱43,350,343,493	₱69,822,611,563	₱199,722,083,532
Interest payable	₱6,332,507,374	₱19,873,540,026	₱11,290,169,994	₱37,496,217,394

Cash and cash equivalents, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Parent Company's liquidity requirements. Please refer to the terms and maturity profile of these financial statements under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. As of December 31, 2017 and 2016, there were no undrawn loan commitments from long-term credit facilities.

Credit risk
Credit risk is a risk that counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Parent Company's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Parent Company maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect to installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Parent Company also undertakes supplemental credit review procedures for certain installment payment structures. The Parent Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Parent Company security deposits and advance rentals which helps reduce the Parent Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Parent Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets comprise cash and cash equivalents, financial assets at FVPL and AFS financial assets. The Parent Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Parent Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

Given the Parent Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The Parent Company's maximum exposure to credit risk as of December 31, 2017, and 2016 is equal to the carrying values of its financial assets, except for the following:

2017

	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Accounts and notes receivables				
Trade				
Residential development	**₱30,778,465,117**	**₱31,716,363,114**	**₱–**	**₱30,778,465,117**
Corporate business	**1,279,902,219**	**449,428,148**	**830,474,071**	**449,428,148**
Shopping centers	**788,827,464**	**363,400,685**	**425,426,779**	**363,400,685**
Receivable from employees	**203,392,990**	**100,569,196**	**102,823,794**	**100,569,196**
	₱33,050,587,790	**₱32,629,761,143**	**₱1,358,724,644**	**₱31,691,863,146**

2016

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivables				
Trade				
Residential development	₱21,235,737,152	₱33,374,125,230	₱–	₱21,235,737,152
Corporate business	2,266,374,934	324,952,351	1,941,422,583	324,952,351
Shopping centers	468,805,936	91,157,115	377,648,821	91,157,115
Receivable from employees	180,657,613	64,704,548	115,953,065	64,704,548
	₱24,151,575,635	₱33,854,939,244	₱2,435,024,469	₱21,716,551,166

The table below shows the credit quality of the Parent Company's financial assets as of December 31, 2017, and 2016:

2017

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱586,369,974	₱–	₱–	₱–	₱586,369,974	₱–	₱–	₱586,369,974
Financial asset at FVPL	1,918,566	–	–	–	1,918,566	–	–	1,918,566
Accounts and notes receivables								
Trade								
Residential development	26,487,086,515	1,595,586,284	754,603,025	–	28,837,275,824	1,941,189,293	–	30,778,465,117
Corporate business	1,160,295,362	–	–	–	1,160,295,362	97,652,477	21,954,380	1,279,902,219
Shopping centers	632,553,076	–	–	–	632,553,076	117,133,543	39,140,845	788,827,464
Rent receivables	33,520,303	–	–	–	33,520,303	–	–	33,520,303
Others	120,502,278	–	–	–	120,502,278	–	–	120,502,278
Receivable from related parties	39,604,749,149	–	–	–	39,604,749,149	–	–	39,604,749,149
Dividends receivable	2,261,645,426	–	–	–	2,261,645,426	–	–	2,261,645,426
Receivable from employees	203,392,990	–	–	–	203,392,990	–	–	203,392,990
Interest receivable	112,822,779	–	–	–	112,822,779	–	–	112,822,779
AFS financial assets								
Unquoted	–	–	–	165,740,922	165,740,922	–	28,047,666	193,788,588
Quoted	51,973,998	–	–	–	51,973,998	–	–	51,973,998
	₱71,256,830,416	₱1,595,586,284	₱754,603,025	₱165,740,922	₱73,772,760,647	₱2,155,975,313	₱89,142,891	₱76,017,878,851

2016

	Neither Past Due nor Impaired					Past Due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated	Total			
Cash and cash equivalents (excluding cash on hand)	₱1,280,241,626	₱–	₱–	₱–	₱1,280,241,626	₱–	₱–	₱1,280,241,626
Financial asset at FVPL	1,891,431	–	–	–	1,891,431	–	–	1,891,431
Accounts and notes receivables								
Trade								
Residential development	15,690,433,777	–	–	–	15,690,433,777	5,545,303,375	–	21,235,737,152
Corporate business	2,171,423,363	–	–	–	2,171,423,363	33,590,783	61,360,788	2,266,374,934
Shopping centers	119,313,682	–	–	–	119,313,682	319,172,877	30,319,377	468,805,936
Rent receivables	179,588,189	–	–	–	179,588,189	–	–	179,588,189
Others	41,938,131	–	–	–	41,938,131	–	47,091,223	89,029,354
Receivable from related parties	32,236,509,818	–	–	–	32,236,509,818	–	–	32,236,509,818
Receivable from employees	180,657,613	–	–	–	180,657,613	–	–	180,657,613
Dividends receivable	2,141,216,846	–	–	–	2,141,216,846	–	–	2,141,216,846
Interest receivable	12,711,726	–	–	–	12,711,726	–	–	12,711,726
AFS financial assets								
Unquoted	–	–	–	164,166,972	164,166,972	–	28,047,666	192,214,638
Quoted	36,223,999	–	–	–	36,223,999	–	–	36,223,999
	₱54,092,150,201	₱–	₱–	₱164,166,972	₱54,256,317,173	₱5,898,067,035	₱166,819,054	₱60,321,203,262

As of December 31, 2017 and 2016, the aging analysis of past due but not impaired trade receivables presented per class, is as follows:

2017

	Neither Past Due nor Impaired	Past Due but not Impaired 30 days	30-60 days	60-90 days	90-120 days	120 days	Total	Individually Impaired	Total
Trade									
Residential development	₱28,837,275,824	₱233,302,715	₱317,461,854	₱223,872,160	₱335,033,198	₱831,519,366	₱1,941,189,293	₱–	₱30,778,465,117
Corporate business	1,160,295,362	780,219	12,920,181	6,868,557	21,735,525	55,347,995	97,652,477	21,954,380	1,279,902,219
Shopping centers	632,553,076	6,047,785	10,573,315	2,479,737	4,283,415	93,749,291	117,133,543	39,140,845	788,827,464
Rent receivables	33,520,303	–	–	–	–	–	–	–	33,520,303
Others	120,502,278	–	–	–	–	–	–	–	120,502,278
Receivable from related parties	39,604,749,149	–	–	–	–	–	–	–	39,604,749,149
Dividends	2,261,645,426	–	–	–	–	–	–	–	2,261,645,426
Receivable from employees	203,392,990	–	–	–	–	–	–	–	203,392,990
Interest receivable	112,822,779	–	–	–	–	–	–	–	112,822,779
	₱72,966,757,187	₱ 240,130,719	₱ 340,955,350	₱233,220,454	₱ 361,052,138	₱ 980,616,652	₱2,155,975,313	₱61,095,225	₱75,183,827,725

2016

	Neither Past Due nor Impaired	Past Due but not Impaired 30 days	30-60 days	60-90 days	90-120 days	120 days	Total	Individually Impaired	Total
Trade									
Residential development	₱15,690,433,777	₱589,847,757	₱286,449,448	₱129,725,587	₱154,062,336	₱4,385,218,247	₱5,545,303,375	₱–	₱21,235,737,152
Corporate business	2,171,423,363	260,119	1,874,803	470,689	161,427	30,823,745	33,590,783	61,360,788	2,266,374,934
Shopping centers	119,313,682	22,639,720	16,611,586	4,237,197	3,977,397	271,706,977	319,172,877	30,319,377	468,805,936
Rent receivables	179,588,189	–	–	–	–	–	–	–	179,588,189
Others	41,938,131	–	–	–	–	–	–	47,091,223	89,029,354
Receivable from related parties	32,236,509,818	–	–	–	–	–	–	–	32,236,509,818
Dividends	2,141,216,846	–	–	–	–	–	–	–	2,141,216,846
Receivable from employees	180,657,613	–	–	–	–	–	–	–	180,657,613
Interest receivable	12,711,726	–	–	–	–	–	–	–	12,711,726
	₱52,773,793,145	₱612,747,596	₱304,935,837	₱134,433,473	₱158,201,160	₱4,687,748,969	₱5,898,067,035	₱138,771,388	₱58,810,631,568

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, financial assets at FVPL, quoted AFS securities - based on the nature of the counterparty and the Parent Company's internal rating system.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three (3) defaults in payment in the past; and low grade pertains to receivables with more than three (3) defaults in payment.

The unquoted AFS financial assets are unrated.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Parent Company's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Parent Company's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Parent Company manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Parent Company's ratio of fixed to floating rate debt stood at 87:13 and 83:17 as of December 31, 2017, and 2016, respectively.

The following tables demonstrate the sensitivity of the Parent Company's income before income tax and equity to a reasonably possible change in interest rates on December 31, 2017 and 2016, with all variables held constant, (through the impact of floating rate borrowings and changes in fair value of AFS financial assets):

2017

	Effect on income before income tax Change in basis points	
	+100 basis points	**-100 basis points**
Floating rate borrowings	**(₱185,079,738)**	**₱185,079,738**

2016

	Effect on income before income tax Change in basis points	
	+100 basis points	-100 basis points
Floating rate borrowings	(₱206,399,250)	₱206,399,250

In 2017 and 2016, the Parent Company determined the reasonably possible change in interest rates using the percentages in weighted average yield rates of outstanding securities for the past two years.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with its corresponding nominal amounts and carrying values are shown in the following tables:

2017

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	**₱586,369,974**	**₱586,369,974**	**₱–**	**₱–**	**₱586,369,974**
Accounts and notes							
receivable	Fixed at the date of sale	Date of sale	**205,629,855**	**203,392,990**	**2,236,865**	**–**	**205,629,855**
			₱791,999,829	**₱789,762,964**	**₱2,236,865**	**₱–**	**₱791,999,829**
Company							
Short-term debt							
Floating-Peso	Variable	Monthly	**₱16,991,350,000**	**₱16,991,350,000**	**₱–**	**₱–**	**₱16,991,350,000**
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	**15,000,000,000**	**–**	**14,968,116,469**	**–**	**14,968,116,469**
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	**21,000,000,000**	**–**	**3,984,041,328**	**16,894,123,088**	**20,878,164,416**
Peso	Fixed at 5.6250%	11 years	**8,000,000,000**	**–**	**–**	**7,938,922,633**	**7,938,922,633**
Peso	Fixed at 4.5000%	7 years	**7,000,000,000**	**–**	**6,953,043,125**	**–**	**6,953,043,125**
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	**22,000,000,000**	**–**	**–**	**21,819,967,213**	**21,819,967,213**
Peso	Fixed at 3.00%	3 years	**2,990,950,000**	**–**	**2,969,107,726**	**–**	**2,969,107,726**
Peso	Fixed at 5.2624%	10 years	**7,000,000,000**	**–**	**–**	**6,966,801,225**	**6,966,801,225**
Peso	Fixed at 2.7500%	1.75 years	**4,300,000,000**	**–**	**4,280,936,331**	**–**	**4,280,936,331**
Peso	Fixed at 3.2500%	1.25 years	**3,100,000,000**	**–**	**3,082,432,587**	**–**	**3,082,432,587**
Peso	Fixed at 4.5000% to 7.8750%	5, 10 and 15 years	**9,064,000,000**	**93,000,000**	**3,541,000,000**	**5,408,575,573**	**9,042,575,573**
Peso	Fixed at 4.50% to 4.949%	Up to 10.5 years	**24,873,145,313**	**399,593,750**	**5,614,450,000**	**18,812,161,383**	**24,826,205,133**
Floating							
USD	Variable at 1.509% to 2.773% over 3-month LIBOR	3.4 and 10.3 years	**1,516,623,750**	**478,596,526**	**435,209,852**	**602,817,372**	**1,516,623,750**
			₱142,836,069,063	**₱17,962,540,276**	**₱45,828,337,418**	**₱78,443,368,487**	**₱142,234,246,181**

2016

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱1,280,241,626	₱1,280,241,626	₱–	₱–	₱1,280,241,626
Accounts and notes							
receivable	Fixed at the date of sale	Date of sale	180,657,613	180,657,613	–	–	180,657,613
			₱ 1,460,899,239	₱ 1,460,899,239	₱–	₱–	₱ 1,460,899,239
Company							
Short-term debt							
Floating-Peso	Variable at 2.300% to 2.650%	Monthly	₱18,682,200,000	₱18,682,200,000	₱–	₱–	₱18,682,200,000
Long-term debt							
Fixed							
Peso	Fixed at 5.6250% to 6.0000%	7 and 10 years	15,000,000,000	–	14,950,356,363	–	14,950,356,363
Peso	Fixed at 4.6250% to 6.0000%	7,10.5 and 20 years	21,000,000,000	–	3,978,793,796	16,881,263,245	20,860,057,041
Peso	Fixed at 5.6250%	11 years	8,000,000,000	–	–	7,932,515,768	7,932,515,768
Peso	Fixed at 4.5000%	7 years	7,000,000,000	–	–	6,945,686,975	6,945,686,975
Peso	Fixed at 3.8915% to 4.85%u	7,9.5 and 10 years	22,000,000,000	–	–	21,799,361,946	21,799,361,946
Peso	Fixed at 3.00%	3 years	3,000,000,000		2,967,243,257		2,967,243,257
Peso	Fixed at 4.500% to 7.875%	5,10 and 15 years	9,157,000,000	93,000,000	3,474,000,000	5,564,817,860	9,131,817,860
Peso	Fixed at 4.500%	Up to 10.5 years	15,190,739,063	327,093,750	5,042,700,000	9,820,945,313	15,190,739,063
Floating							
USD	Variable at 1.509% to 2.773% over 3-month LIBOR	3.4 and 10.3 year	1,957,725,000	454,938,000	794,277,000	708,509,999	1,957,724,999
			₱120,987,664,063	₱19,557,231,750	₱31,207,370,416	₱69,653,101,106	₱120,417,703,272

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets and credit facilities of the Parent Company, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. There are only minimal placements in foreign currencies. As such, the Parent Company's foreign currency risk is minimal.

The following table shows the Parent Company's foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2017 and 2016:

	2017		2016	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent
Financial Assets				
Cash and cash equivalents	**$2,361,797**	**₱117,924,531**	$584,108	₱29,041,851
Financial Liabilities				
Short-term debt	**–**	**–**	–	–
Long-term debt	**30,375,000**	**1,516,623,750**	39,375,000	1,957,725,000
	$30,375,000	**₱1,516,623,750**	$39,375,000	₱1,957,725,000
Net foreign currency-denominated liabilities	**($28,013,203)**	**(₱1,398,699,219)**	($38,790,892)	(₱1,928,683,149)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rate used was ₱49.93 to US$1.00 and ₱49.72 to US$1.00, the Philippine Peso - USD exchange rates as of December 31, 2017 and 2016, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso - U.S. Dollar exchange rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Increase (decrease)	Effect on profit before tax	
in exchange rate	**2017**	2016
₱1.00	**(₱28,013,203)**	(₱38,790,892)
(1.00)	**28,013,203**	38,790,892

There is no impact on the Parent Company's equity other than those already affecting net income.

Equity price risk
Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Parent Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

Quoted financial assets at FVPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

The Parent Company measures the sensitivity of its investment securities based on the average historical fluctuation of the investment securities net asset value per unit (NAVPU). All other variables held constant, with duration of 0.39 and 0.10 year for 2017 and 2016, respectively, the fair value of the Parent Company's investment in the Fund, net income and equity will increase (decrease) by ₱7,482 and ₱1,886, respectively, for a 100-basis point decrease (increase) in interest rates.

28. Segment Information

The industry segments where the Parent Company operates follow:

Core business:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate business - development and lease of office buildings
- Residential developments - sale of high-end and upper middle-income residential lots and units, and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Parent Company's share in properties made available to subsidiaries for development.
- Corporate - company-wide activities not catering to specific business units

Support Business:

- Property management - facilities management of the Parent Company

In 2017, assets, liabilities, revenues and expenses of the Strategic Landbank Management and Visayas-Mindanao segment were reallocated to other business segments namely, shopping centers, corporate businesses and residential developments according to the nature of the products and services provided. The 2016 segment information have been restated for comparative purposes.

Management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2017 and 2016, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for the years then ended (in millions).

2017

	Shopping Centers	Corporate Businesses	Residential Development	Support Businesses	Corporate	Total
Revenue						
Sales to external customers	₱1,127	₱4,135	₱31,664	₱5	₱271	₱37,202
Interest income from real estate sales	–	–	1,596	–	–	1,596
Operating expenses	1,347	1,251	22,675	9	299	25,581
Operating profit	(220)	2,884	10,585	(4)	(28)	13,217
General and administrative expenses	(588)	(108)	(569)	(131)	(1,066)	(2,462)
Interest expense and other financing charges	–	(6)	–	–	(6,442)	(6,448)
Interest income	–	3	–	78	413	494
Other income	877	–	1,340	–	219	2,436
Dividend income	–	–	–	–	10,495	10,495
Other expenses	–	(9)	(388)	–	397	–
Other charges	–	–	–	–	(5)	(5)
Provision for income tax	(51)	(323)	(22)	–	(1,719)	(2,115)
Net income	₱18	₱2,441	₱10,946	(₱57)	₱2,264	₱15,612
Other Information						
Segment assets	₱99,484	₱71,338	₱114,497	₱19,726	₱25,905	₱330,950
Deferred tax assets	–	–	–	–	2,179	2,179
Total assets	₱99,484	₱71,338	₱114,497	₱19,726	₱28,084	₱333,129
Segment liabilities	(₱97,294)	(₱41,743)	(₱45,218)	(₱18,012)	(₱12,578)	(₱214,845)
Segment additions to:						
Property and equipment	₱17	₱67	₱20	₱2	₱173	₱279
Investment properties	3,273	13,729	3	473	–	17,478
Depreciation and amortization	₱536	₱298	₱32	₱5	₱120	₱991

2016

	Shopping Centers	Corporate Businesses	Residential Development	Support Businesses	Corporate	Total
Revenue						
Sales to external customers	₱502	₱2,988	₱24,719	₱–	₱116	₱28,325
Interest income from real estate sales	–	–	1,295	–	–	1,295
Operating expenses	815	627	15,472	3	995	17,912
Operating profit	(313)	2,361	10,542	(3)	(879)	11,708
General and administrative expenses	(32)	(533)	(592)	(293)	(1,000)	(2,450)
Interest expense and other financing charges	(4)	(11)	(9)	–	(5,734)	(5,758)
Interest income	–	–	–	43	345	388
Other income	–	41	(10)	–	68	99
Dividend income	–	–	–	–	11,892	11,892
Other expenses	–	–	225	–	(325)	(100)
Other charges	–	–	–	–	(204)	(204)
Provision for income tax	(134)	(338)	(10)	–	(572)	(1,054)
Net income	(₱483)	₱1,520	₱10,146	(₱253)	₱3,591	₱14,521
Other Information						
Segment assets	₱93,530	₱58,956	₱115,856	₱16,755	₱28,824	₱313,921
Deferred tax assets	–	(27)	–	–	2,544	2,517
Total assets	₱93,530	₱58,929	₱115,856	₱16,755	₱31,368	₱316,438
Segment liabilities	(₱88,590)	(₱36,031)	(₱43,838)	(₱16,278)	(₱22,303)	(₱207,040)
Segment additions to:						
Property and equipment	₱5	₱76	₱115	₱3	₱106	₱305
Investment properties	11,502	7,862	337	459	76	20,236
Depreciation and amortization	₱545	₱228	₱32	₱3	₱137	₱945

29. Leases

Operating Leases - Parent Company as Lessor
The Parent Company entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Parent Company are as follows:

	2017	2016
Within one year	**₱970,730,347**	₱1,326,820,272
After one year but not more than five years	**1,337,166,639**	1,888,215,642
More than five years	**5,180,815,115**	5,487,091,292
	₱7,488,712,101	₱8,702,127,206

On January 1, 2015, the Parent Company and ACCI entered into a lease contract for the lease of parcels of land and buildings within the Greenbelt and Glorietta development located at the Ayala Center, Makati City. The lease shall be for a period of two years from January 1, 2015 until December 31, 2016, renewable for another two years upon the written agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month. The lease was renewed from January 1, 2017 to December 31, 2021 under the same terms and conditions stated in the original contract of lease.

On December 27, 2017, the Parent Company signed a lease agreement with MCLC for the lease on the parcels of land it owns where the buildings bought by MCLC were constructed. Please refer to Notes 12 and 23.

On December 28, 2017, the Parent Company signed a lease agreement with ASCVC for the lease on the parcels of land it owns where the Arca South BPO and Mall were constructed. Please refer to Notes 12 and 23.

Operating Leases - Parent Company as Lessee

There are no future minimum rental payables under noncancellable operating leases since the Parent Company has assigned to its subsidiaries, its rights to the properties leased from third parties.

On April 26, 2012, the Parent Company signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of Negros Occidental. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Parent Company. The lease was assigned by the Parent Company to Capitol Central Commercial Ventures Corp., a wholly-owned subsidiary, on December 28, 2017.

On September 1, 2013, the Parent Company signed a Lease Agreement with Avida Land Corp. for the lease of a parcel of land, with a total area of 19,311 sq. m., located along National Road, Muntinlupa City. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Parent Company. The lease was assigned by the Parent Company to Orion Land, Inc. on November 29, 2017.

On September 2, 2014, the Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. The Parent Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company.

The lease was assigned by the Parent Company to Bay City Commercial Ventures Corp., a wholly-owned subsidiary, on December 28, 2017.

30. Long-term Commitments and Contingencies

Commitments
On December 8, 2017, ALI assigned to NTDCC development rights on certain portions of the North Triangle lot pads covered by a Deed of Assignment and Encroachment Settlement Agreement amounting to ₱631.2 million.

On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc, a wholly owned subsidiary of Manila Water Company, Inc, for the waterworks of Parent Company's projects nationwide. The Memorandum of Agreement (MOA) was signed by Parent Company and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Total expenses amounted to ₱0.2 million.

The Parent Company and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City. A new company named, ALI-ETON Property Development Corporation, was incorporated on March 13, 2016. The new company is a joint venture between the Parent Company and LT Group, Inc.

On August 11, 2015, the Parent Company won the bid for the Integrated Transport System Project – South Terminal ("ITS South Project"). The Parent Company was awarded by the Department of Transportation and Communications ("DOTC") with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Parent Company is developing an integrated mixed-use estate. It is estimated that up to 4,000 buses and 160,000 passengers will feed into ITS South from SLEX every day. Full blast construction of the terminal to start by the second half of 2018 and targeted to be operational by first half of 2020.

On June 30, 2015, the Parent Company, through SM-ALI Group Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Parent Company and CHI (together with the Parent Company collectively referred to as the "ALI Group"). The SM-ALI Group has finished with the joint masterplan and is now securing permits to commence development.

On May 12, 2014, the Parent Company has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. The Parent Company will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sq. m.

On April 6, 2010, the Parent Company and Manila Water Company (MWC) entered into a Memorandum of Agreement to establish a water utility services company which will manage and operate all water systems in NUVALI, as well as, adjacent projects of the Parent Company in Laguna.

During the past 3 years, the required activities according to the MOA between MWC and the Parent Company were accomplished- such as auditing and re-design of the existing water/sewerage assets of several NUVALI and the Parent Company projects in Laguna, water system design reviews and repairs, and developing plans and proposals for the expansion of the area coverage of the water and sewerage system. MWC is currently designing the cost plan and the target completion of the project has not yet been established. However, it is expected that the water and sewer system development shall happen simultaneous with NUVALI's expansion plan. The project will be undertaken in phases and in relation to expected NUVALI build out. The project shall start this year upon the signing of the JVA. MWC is currently re-estimating the project cost because of NUVALI expansion.

Contingencies
The Parent Company has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. The outcomes of the legal proceedings for various cases are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Parent Company's financial position and results of operations. Disclosures required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, were not provided as it may prejudice the Parent Company's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

31. Notes to Statements of Cash Flows

The noncash activities of the Parent Company pertain to the following:

2017
- Transfer from land and improvement to inventory amounted to ₱5,871.3 million
- Transfer from inventory to investment properties amounted to ₱2,507.1 million
- Transfer from land and improvement to advances to contractor amounted to ₱1,581.2 million
- Transfer from investment properties to other current assets amounted to ₱86.3 million
- Transfer from investment properties to inventory amounted to ₱52.2 million
- Transfer from property and equipment to investment properties amounted to ₱7.7 million
- Transfer from investment properties to land and improvements amounted to ₱1.4 million
- Transfer from investment properties to property and equipment amounted to ₱0.3 million
- Outstanding receivables pertaining to the sale of investment properties amounted to ₱9,298.9 million

2016
- Transfer from land and improvement to inventory amounted to ₱548.6 million
- Transfer from property and equipment to investment property amounted to ₱287.5 million

32. Events After the Reporting Date

On January 26, 2018, ALI purchased additional 202,774,547 common shares of POPI from Genez Investments Corporation for ₱497.7 million which raised ALI's effective ownership interest from 63% to 67% of the total POPI's outstanding capital stock.

On February 20, 2018, the BOD approved the declaration of cash dividends amounting to ₱0.252 per outstanding common share. These will be paid on April 3, 2018 to shareholders on record as of March 12, 2018.

Further, on the same date, the BOD also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These will be paid out on June 29, 2018 to shareholders on record as of June 15, 2018.

On February 20, 2018, the BOD approved the raising of up to ₱20 billion through (a) retail bonds listed in the Philippine Dealing and Exchange Corporation and (b) bilateral term loan/s to partially finance general corporate requirements. The retail bonds will be issued under the Parent Company's

₱50 billion Debt Securities Program as approved by the Securities and Exchange Commission in March 2016.

On February 20, 2018, the BOD approved the raising of up to ₱5 billion through the issuance of Qualified Buyer Notes with a tenor of up to 5 years to refinance the Parent Company's short-term loans.

On February 20, 2018, the Philippine Competition Commission approved the setting up of a joint venture between the Parent Company and Royal Asia Land, Inc. to acquire, own, and develop a 936-hectare commercial and residential project in Silang and Carmona, Cavite. Both firms will own 50% equity in the joint venture vehicle while Royal Asia Land will receive a consultation fee of 2% of the joint venture firm's gross revenue for its participation in the planning and development of the property. ALI, meanwhile, will develop and market the project and receive a management fee of 12% and sales and marketing fee of 5% of the gross revenue. The PCC has deemed that the transaction does not result in a substantial lessening of competition because it will not have a structural effect on the market.

33. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value-Added Tax (VAT)
The Parent Company is a VAT-registered company with VAT output tax declaration as follows:

	Net Sales/ Receipts	Output VAT
Taxable sales on:		
Sale of goods	₱35,179,303,488	₱4,221,516,419
Leasing income	2,489,218,554	298,706,226
Others	11,451,217,282	1,374,146,074
Zero-Rated Sales	1,137,354,800	–
	₱50,257,094,124	₱5,894,368,719

The sale of goods is recorded under Land and residential sales account while leasing income is recorded under Rental income.

The amount of VAT Input taxes claimed are broken down as follows:

Balance at beginning of year (net Input VAT position)	₱3,912,679,296
Current year's purchases:	
Capital goods subject to amortization	14,763,782
Goods other than capital goods	64,237,306
Services lodged under other accounts	4,374,634,826
Services rendered by non-residents	146,418
Input VAT applied during the year	(5,846,836,143)
Balance at end of year	₱2,519,625,485

Custom Duties and Tariff
The landed cost of the Parent Company's importations amounted to ₱5,030,455 for the year, with paid or accrued amounting to ₱69,789 as custom duties and ₱3,000 as other fees.

Documentary Stamp Tax (DST)
The DST paid or accrued on the following transactions are:

Transaction	Amount	DST
Interest expense and other financing charges		
DST on loans	₱151,397,767,854	₱115,493,228
DST on Intercompany loan	31,127,604,250	4,654,087
Issuance of PDTC bonds	14,400,000,000	72,000,000
DST on transfer of real property	2,597,143,214	35,947,099
DST on original issue of shares of stock	1,487,264,970	7,436,327
DST on promissory note	389,147,684	501,094
Shares of stock not traded in stock exchange	63,424,599	58,967
DST on leases and other hiring agreements	11,981,440	16,002
General and administrative expenses		
DST on original issue of shares of stock	507,122,000	2,535,610
DST on leases and other hiring agreements	4,941,161	6,063
Capitalized DST		
DST on leases and other hiring agreements	12,101,753,271	12,101,755
DST on promissory note	656,486,242	3,282,431
DST on transfer of real property	155,436,858	2,331,595
	₱214,900,073,543	₱256,364,258

Taxes and Licenses
The following are the taxes, licenses and permit fees in 2017:

	Direct Operating Expenses	General and Administrative Expenses	Total
Local			
Real property tax	₱436,071,348	₱88,985	₱436,160,333
License and permit fees	412,861,837	10,575,387	423,437,224
Inspection fees	840,451	2,281	842,732
Registration and locational fees	13,718	–	13,718
Motor vehicle registration fees	–	908,136	908,136
Professional tax	–	66,711	66,711
Community tax	1,951	21,445	23,396
Documentary stamp tax	–	2,541,673	2,541,673
Cultural and Amusement Tax	–	345,369	345,369
Others	–	667,250	667,250
	849,789,305	15,217,237	865,006,542
(Forward)			
National			
Fringe benefits tax	₱–	₱17,397,763	₱17,397,763
Annual registration	–	500	500
	–	17,398,263	17,398,263
	₱849,789,305	₱32,615,500	₱882,404,805

Withholding Taxes
Details of withholding taxes for the year are as follows:

Final withholding taxes	₱1,337,458,172
Expanded withholding taxes	1,295,208,058
Withholding taxes on compensation and benefits	481,236,442
Balance at December 31	₱3,113,902,672

Tax Assessments and Cases

The Parent Company has no deficiency tax assessments whether protested or not. The Parent Company has not been involved in any tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside the BIR.

AyalaLand

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

BERNARD VINCENT O. DY
President & Chief Executive Officer

AUGUSTO D. BENGZON
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 20 2018 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Fernando Zobel de Ayala		
Bernard Vincent O. Dy		
Augusto D. Bengzon		

Doc. No. 358 ;
Page No. 73 ;
Book No. I ;
Series of 2018.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. 153 until December 31, 2019
Roll of Attorneys No. 58335
IBP No. 026373 - 01/11/2018 - Makati City
PTR No. 6628678MD - 01/11/2018 - Makati City
MCLE Compliance No. V-0017192- 03/28/2016
3rd Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines